

**ANNUAL
FINANCIAL REPORT
OF THE
CITY OF LE MARS, IOWA
FOR THE FISCAL YEAR ENDED
JUNE 30, 2013**

Prepared by the
Finance Department
Bill Cole, Assistant City Administrator/Finance Director

**CITY OF LE MARS, IOWA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013**

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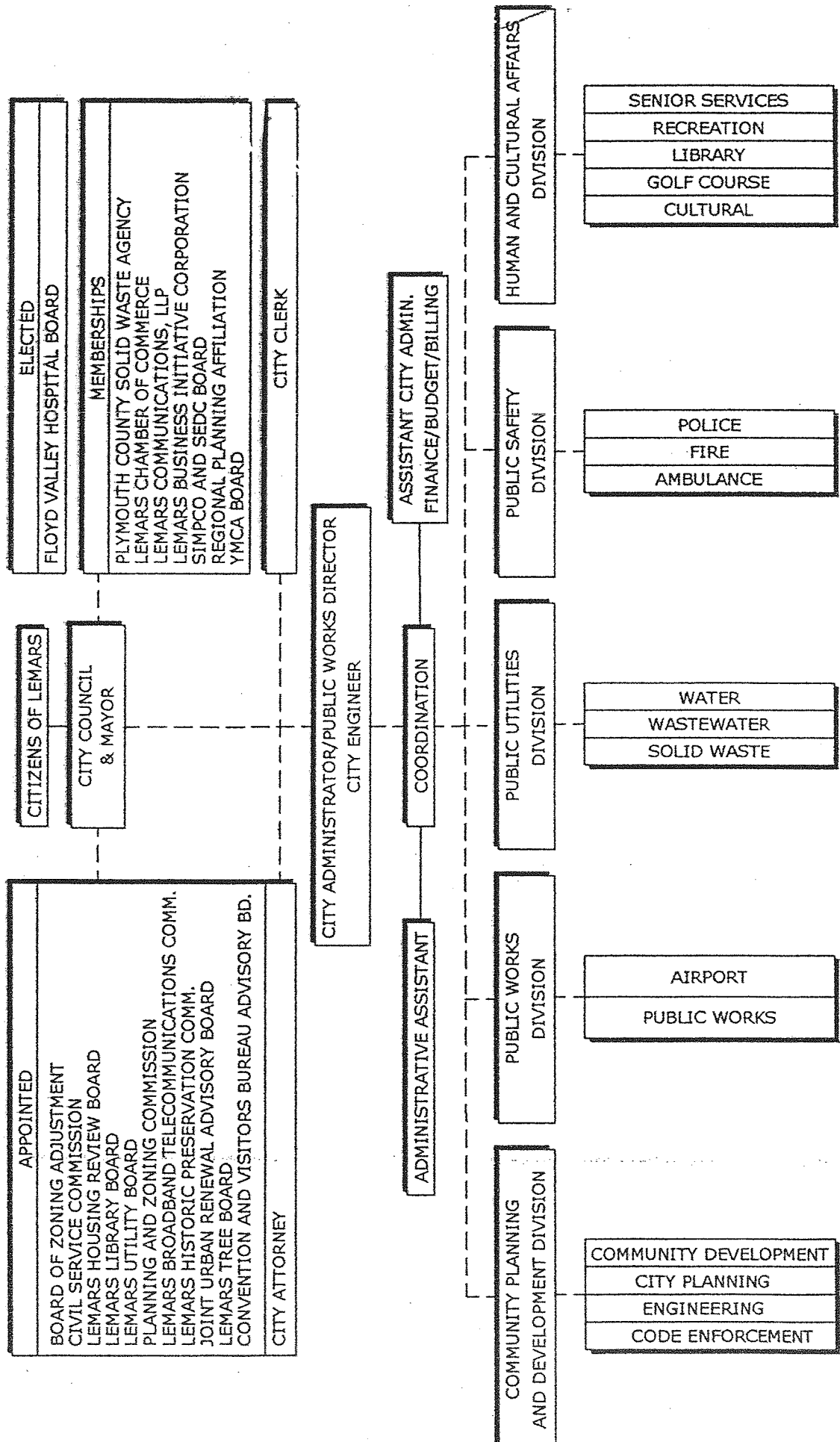
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APPENDIX B CITY OF LEMARS, IOWA ORGANIZATIONAL CHART



CITY OF LE MARS

List of Principal Officials June 30, 2013

Title	Name
Mayor	Dick Kirchoff
Council Member and Mayor Pro-Tem.....	Rex Knapp
Council Member	John Leonard
Council Member	Delana Ihrke
Council Member	Kenneth Nelson
Council Member	John Rexwinkel
City Clerk/Treasurer.....	Beverly Langel
City Attorney.....	Joseph Flannery
City Administrator/Public Works Director/City Engineer	Scott Langel
Assistant City Administrator/Finance Director	Bill Cole
Code Enforcement Officer	Jason Vacura
Chief of Police	Stuart Dekkenga
Fire Chief.....	David Schipper
Wastewater Superintendent.....	Ron Kayser
Assistant Wastewater Superintendent.....	William Morgan
Water Superintendent	Gayle Sitzmann
Mapping Manager	James Conley
Ambulance Director	Bill Rosacker
Golf Course Manager.....	Doug Schultz
Library Director	Susan Kroesche
Airport Manager	Earl Draayer
Public Works Superintendent.....	Steve Hansen
Assistant Public Works Superintendent.....	Brad Eppling



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INDEPENDENT AUDITOR'S REPORT

The Mayor and Members of the
City Council
City of Le Mars, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the CITY OF LE MARS, IOWA, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Floyd Valley Municipal Hospital (a discretely presented component unit), which statements reflect total assets of \$28,451,583 as of June 30, 2013 and total operating revenues of \$33,328,889 for the year then ended. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion insofar as it relates to the amounts included for Floyd Valley Municipal Hospital, is based solely on the reports of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of

significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Le Mars, Iowa as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As described in Note 16 to the financial statements, in 2013, the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress for the retiree health plan on pages 6 through 15 and 59 through 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements, and supplementary statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

The combining nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the combining nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The supplementary statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2014, on our consideration of the City of Le Mars's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Le Mars's internal control over financial reporting and compliance.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
January 29, 2014

Management Discussion and Analysis

June 30, 2013

This discussion and analysis of the City of Le Mars financial performance provides an overview of the City's financial activities for the fiscal year ending June 30, 2013. We encourage the readers to consider the information presented here in conjunction with the additional information furnished in the City's financial statements that follow this report, as well as the separately issued financial statements of Floyd Valley Hospital, a discretely presented component unit of the City.

Financial Highlights:

- The assets of the City of Le Mars exceeded liabilities at June 30, 2013, by \$59,549,861. Of this amount, \$7,854,976 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net position increased by \$5,691,987 during the year. Of this amount, the net position of our Governmental Activities increased \$2,787,236 and the net position of our Business Activities increased \$2,904,751.
- The largest factor in the increase in net position was the amount by which capital outlays exceeded depreciation in the current period. In fiscal year 2013, that excess was \$2,311,793.

The City's General Obligation debt decreased by \$5,932,562 during fiscal year 2013, making the General Obligation debt \$7,424,893 at year end. This decrease is the result of the City refunding debt. The City Revenue Bond debt increased by \$1,053,000 during fiscal year 2013, making the Revenue Bond debt \$9,205,000 at year end. This increase is a result of the annual amortization of the debt replacing/refinancing SRF debt and issuing new Sewer debt. It should be noted the City's debt refunding efforts over the last two (2) years have resulted in an overall net savings of \$1.2 million dollars (see Note #7 for details).

OVERVIEW OF THE FINANCIAL STATEMENTS

In addition to the Management Discussion and Analysis, this annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government. An additional part of the basic financial statements are the Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

REPORTING THE CITY AS A WHOLE

The Statement of Net Position and the Statement of Activities

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

One of the most important questions asked about the City's finances is *"Is the City of Le Mars in a better financial position at the end of this fiscal year, compared to last year?"* The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answers this question. These statements include all assets and liabilities using the accrual basis of accounting, which is very similar to the method of accounting used by most private-sector companies. These two statements report the City's net position, which is the difference between assets and liabilities, as one way to measure the City's financial health, or financial position. Over time,

increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. Additional factors, such as changes in the City's property tax base and sales tax collections and condition of the City's infrastructure, are also important in making this determination.

In the Statement of Net Position and the Statement of Activities, we have divided the City into two kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here, such as Police, Fire, Public Works and Parks departments, and general administration. Property taxes and state and federal grants finance most of these activities.
- **Business Type Activities** – The City charges fees to customers to cover the cost of these services. Included here are the City Water, Sewer, Solid Waste and Golf Course funds.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law or by bond requirements. The City Council also established funds to control and manage money for particular purposes (such as construction projects) and to show that it is properly using certain revenues (such as Sales Tax Revenues). The City has the following types of funds:

- **Governmental Funds** – Most of the City's basic services are included in Governmental Funds, which focus on how money moves into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using the "modified accrual basis" of accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Fund Statements provide a detailed short-term view of the City's general governmental operations and basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs. We describe the relationship between Governmental Activities (reported in the Statement of Net Position and the Statement of Activities) and Governmental Funds in a reconciliation following each Governmental Fund financial statement.
- **Proprietary Funds** – When the City charges customers for the service it provides, these services are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. The major difference between the Proprietary Funds report and the Business Type Activities we report in the government-wide statements is the detail and additional information, such as cash flows, provided in the Proprietary Funds report.

THE CITY AS TRUSTEE

Reporting the City's Fiduciary Responsibilities

Fiduciary Funds are used to account for resources held for the benefit of parties outside the City government. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found behind the Fiduciary Funds statements.

THE CITY AS A WHOLE

As stated earlier, net position may serve over time as a useful indicator of a government's financial position. The largest part of the City's net position reflects its investment in capital assets (land, buildings and improvements, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from the other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following comparison chart show the changes in net position for the years ended June 30, 2013 and 2012.

	General Governmental Activities		Business Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Current and Other Assets	\$14,031,701	\$19,043,231	\$8,336,255	\$6,324,258	\$22,367,956	\$25,367,489
Capital Assets	32,186,464	30,199,860	33,159,883	30,711,603	65,346,347	60,911,463
Total Assets	46,218,165	49,243,091	41,496,138	37,035,861	87,714,303	86,278,952
Long-Term Liabilities Outstanding	7,459,223	13,047,230	10,674,496	9,811,711	18,133,719	22,858,941
Other Liabilities	1,339,475	9,033,519	1,040,770	200,636	2,380,245	9,234,155
Total Liabilities	8,798,698	22,080,749	11,715,266	10,012,347	20,513,964	32,093,096
Deferred Inflows	7,650,478	-	-	-	7,650,478	-
Net Position:						
Net Investment in Capital Assets	26,697,536	24,247,541	22,638,160	21,065,331	49,335,696	45,312,872
Restricted	2,261,892	3,149,771	97,297	-	2,359,189	3,149,771
Unrestricted	809,561	(234,970)	7,045,415	5,958,183	7,854,976	5,723,213
Total Net Position	\$29,768,989	\$27,162,342	\$29,780,872	\$27,023,514	\$59,549,861	\$54,185,856

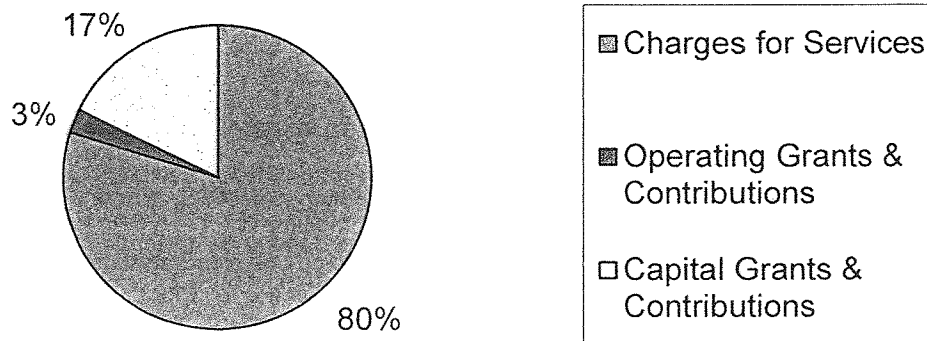
This summary reflects an increase of total net position of 9.60% for the governmental activities and an increase of 10.20% in the business-type activities.

Total revenue reported in Fiscal 2013 was \$21,456,561. The following table breaks down revenues collected for General Governmental Activities and Business-Type Activities for Fiscal Year 2013 and 2012:

Revenue Source	General Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Program Revenues:						
Charges for Services	\$2,519,281	\$2,307,113	\$6,045,402	\$5,833,018	\$8,564,683	\$8,140,131
Operating Grants and Contributions	277,133	255,553	-	-	277,133	255,553
Capital Grants and Contributions	1,877,359	1,141,508	20,000	-	1,897,359	1,141,508
Total Program Revenues	4,673,773	3,704,174	6,065,402	5,833,018	10,739,175	9,537,192
General Revenues & Interfund Transfers:						
Property Taxes	9,040,856	9,241,311	-	-	9,040,856	9,241,311
Local Option Sales Tax	950,190	988,790	-	-	950,190	988,790
Hotel/Motel Taxes	120,335	130,312	-	-	120,335	130,312
Interest	51,905	48,900	26,357	21,024	78,262	69,924
Revenue from Use of Property	3,600	3,600	-	-	3,600	3,600
Sale of Non-Capitalized Assets	115,099	12,583	744	-	115,843	12,583
Refund/Reimburse	312,408	-	79,721	-	392,129	-
Miscellaneous	16,171	284,458	-	21,162	16,171	305,620
Total General Revenues	10,610,564	10,709,954	106,822	42,186	10,717,386	10,752,140
Interfund Transfers	(2,251,975)	(1,324,241)	2,251,975	1,324,241	-	-
Total Revenues & Interfund Transfers	\$13,032,362	\$13,089,887	\$8,424,199	\$7,199,445	\$21,456,561	\$20,289,332

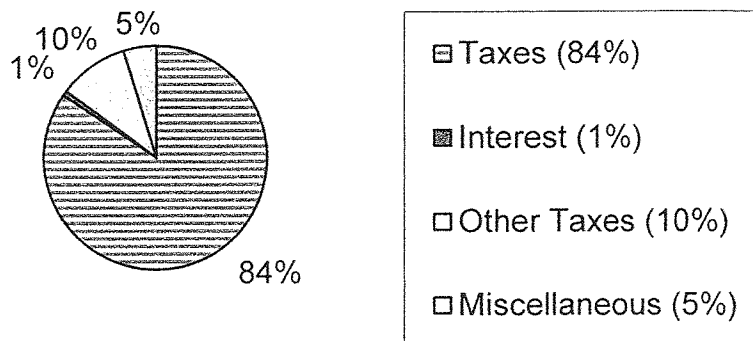
Program revenues totaled \$10,739,175 for fiscal year 2013. Governmental Activities provided \$4,673,773 and Business-Type Activities provided \$6,065,402. Revenue collected for Charges for Services during fiscal year 2013 was \$8,564,683, accounting for 80% of the total program revenues. The following chart breaks down program revenues by source:

Program Revenues



General Revenues for fiscal year 2013 totaled \$10,717,386. Governmental Activities provided \$10,610,564 and Business-Type Activities provided \$106,822. Property Tax Revenues for fiscal year 2013 totaled \$9,040,856, accounting for 84% of General Revenues. The following chart breaks down General Revenues by source:

General Revenues



Expenses for fiscal year 2013 totaled \$15,764,574. Expenses for General Governmental Activities totaled \$10,245,126, accounting for 65% of total expenses. Business-Type Activity expenses totaled \$5,519,448, for 35% of the total.

The following table shows total expenses by Function/Program for fiscal years 2013 and 2012:

Program Level	General Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Public Safety	\$2,657,446	\$2,489,516	\$ -	\$ -	\$2,657,446	\$2,489,516
Public Works	2,950,015	3,026,754	-	-	2,950,015	3,026,754
Culture and Recreation	1,915,484	1,875,056	-	-	1,915,484	1,875,056
Community and Economic Development	1,061,669	882,306	-	-	1,061,669	882,306
General Government	1,328,903	1,109,920	-	-	1,328,903	1,109,920
Debt Service	331,609	378,772	-	-	331,609	378,772
Sewer System	-	-	2,337,477	2,476,063	2,337,477	2,476,063
Water System	-	-	2,089,966	1,857,707	2,089,966	1,857,707
Solid Waste	-	-	558,846	558,064	558,846	558,064
Golf Course	-	-	493,473	462,066	493,473	462,066
Storm	-	-	39,686	51,318	39,686	51,318
Total Expenses	\$10,245,126	\$9,762,324	\$5,519,448	\$5,405,218	\$15,764,574	\$15,167,542

The following table shows the activities included within each program level:

Program Level	Activity
Public Safety	Individual & Community Protection, Physical Health
Public Works	Roadway Construction, Airport Operations, Street Lighting, Transportation Services
Culture and Recreation	Education & Culture, Leisure Time Opportunities
Community and Economic Development	Economic Development, Community Beautification, Planning & Zoning
General Government	Administration, Support Services
Debt Service	Payment of Interest and principal of outstanding debt
Capital Projects	Construction of Capital Facilities
Sewer System	Operation of the waste water treatment plant
Water System	Operation of the waste water treatment plant
Solid Waste	Operation of garbage collection and disposal
Golf Course	Operation of Golf Course

Governmental Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. Please note that the expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense) Revenue calculation. This format highlights the respective financial burden that each of the functions place on the taxpayers. For example, for Public Safety, the City spent \$2,657,446 and received \$805,967 in revenue, thus leaving a cost to the taxpayer of \$1,851,479 to be funded by various methods. The new format also identifies how much each function draws from general revenues or is self-financing through fees or grants. Some of the individual line item revenues reported for each function are:

Public Safety	Fines, Fees
Public Works	Road Use Tax, Rent
Culture and Recreation	Fees, State Aid,
General Government	Licenses, Permits
Capital Projects	Donations, State Grants, Federal Grants

The total cost of governmental activities this year was \$10,245,126. Of these costs, \$2,519,281 was paid by those who directly benefited from the programs. Costs paid by other governments and organizations that subsidized certain programs with grants and contribution were \$2,154,492, leaving a Net Expense of \$5,571,353 for Governmental Activities. These expenses of \$5,571,353 were covered with tax revenues, interest and other general revenues. The Statement of Activities in the financial statements provides further detail. The Net (Expense) Revenue by Governmental Activity is shown in the following table:

Functions/Programs	Net (Expense) Revenue	
	<u>2013</u>	<u>2012</u>
Governmental Activities:		
Public Safety	\$(1,851,479)	\$ (1,849,355)
Public Works	(865,061)	(956,368)
Culture and Recreation	(1,179,690)	(1,144,602)
Community and Economic Development	(200,894)	(793,242)
General Government	(1,142,620)	(935,811)
Debt Service	(331,609)	(378,772)
Total Net (Expense) Governmental Activities	(5,571,353)	(6,058,150)
General Revenues	10,610,564	10,709,954
Excess of revenues over expenditures	5,039,211	4,651,804
Interfund Transfers	(2,251,975)	(1,324,241)
Change in Net Position	<u>\$ 2,787,236</u>	<u>\$ 3,327,563</u>

Total resources available during the year to finance governmental operations were \$40,014,115, consisting of Net Position at July 1, 2012 of \$26,981,753, Program Revenues of \$4,673,773, General Revenues of \$10,610,564 and interfund transfers of (\$2,251,975). Total Governmental Activities during the year expended \$10,245,126; thus, Net Position was increased by \$2,787,236 to \$29,768,989 at June 30, 2013.

Business Type Activities

Business Type Activities increased the City's net position by \$2,904,751.

The cost of all Proprietary Activities this year was \$5,519,448. As shown in the Statement of Activities, the amount paid by users of the systems was \$6,045,402. Costs paid by other governments and organizations that subsidized certain programs with grants and contribution were \$20,000. This resulted in total Net Revenue for Business Type Activities of \$545,954. The Net (Expense) Revenue by Business Type Activity is shown in the following table:

Business-Type Activities	Net (Expense) Revenue	
	2013	2012
Sewer System	\$555,244	\$229,327
Water System	(124,008)	10,659
Solid Waste	76,489	80,322
Golf Course	(134,116)	(54,306)
Storm Sewer	172,345	161,798
Total Net Revenue (Expense)		
Business Type Activities	545,954	427,800
General Revenues	106,822	42,186
Excess of revenues over expenses	652,776	469,986
Interfund Transfers	2,251,975	1,324,241
Change in Net Position	\$2,904,751	\$1,794,227

Total resources available during the year to finance Proprietary Fund activities were \$35,300,320, consisting of Net Position at July 1, 2012 of \$26,876,121, Program Revenues of \$6,065,402, General Revenues of \$106,822 and interfund transfers of \$2,251,975. Total Proprietary Fund Activities during the year expended \$5,519,448; thus Net Position was increased to \$29,780,872.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The City's Governmental Funds reported combined ending fund balances of \$4,612,363. The combined Governmental Funds fund balance decreased \$4,896,199 from the prior year. This is the result of refunding dollars released.

The General Fund is the primary operating fund of the City. During the year, the net change in fund balance in the General Fund was \$76,411. The unassigned fund balance of \$2,113,429 represents 113 days of coverage.

BUDGETARY HIGHLIGHTS

The following table shows the budget variances by program structure:

Disbursements	Amended	Actual	Variance
	Budget	(Cash Basis)	Favorable (Unfavorable)
Public Safety	\$ 2,806,271	\$ 2,779,620	\$ 26,651
Public Works	934,042	913,631	20,411
Culture and Recreation	1,751,002	1,742,505	8,497
Community and Economic Development	691,468	605,826	85,642
General Government	1,347,351	1,229,713	117,638
Debt Service	7,179,863	7,131,282	48,581
Capital Projects	5,762,555	4,958,699	803,856
Business Type/Enterprise	55,008,978	49,299,843	5,709,135
Total	\$ 75,481,530	\$ 68,661,119	\$ 6,820,411

Budget results were all favorable in the current year. The City made one budget amendment during the year and the budgeted amounts to actual results were very comparable. The two functions with material variances were the Capital Projects and business-type functions. Both business-type variance and Capital Projects Variance were due to timing differences, where projects were budgeted, but expenses had not yet been incurred on them.

CAPITAL ASSETS

The City's investment in capital assets, including land, buildings and improvements, equipment, streets, storm sewer systems, traffic signals and other infrastructure represents the value of the resources utilized to provide services to our citizens. The net investment in capital assets as of June 30, 2013, was \$49,335,696 (net of accumulated depreciation and outstanding financings). The gross additions to capital assets for Fiscal 2013 are as follows:

	General Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Land	\$ 42,200	\$ -	\$ 238,865	\$ -	\$ 281,065	\$ -
Infrastructure	1,502,056	1,346,468	317,037	\$139,778	1,819,093	1,486,246
Buildings	59,029	248,875	-	-	59,029	248,875
Improvements -						
Other than Buildings	20,898	657,876	184,373	434,999	205,271	1,092,875
Equipment	466,797	178,083	50,107	60,978	516,904	239,061
Construction in Progress	3,762,150	2,062,307	3,310,809	216,197	7,072,959	2,278,504
Total Gross Additions	\$5,853,130	\$ 4,493,609	\$ 4,101,191	\$ 851,952	\$ 9,954,321	\$ 5,345,561

Construction in Progress at June 30, 2013 for the governmental activities consisted of costs associated with numerous street and infrastructure additions and improvements.

For Business-Type Activities, the Construction in progress at June 30, 2013 consisted of costs associated with the water main extension and storm sewer improvements.

See Note 6 to the financial statements for more information on the City's capital assets.

DEBT ADMINISTRATION

At year-end the City had \$16,615,000 of debt outstanding. This is a decrease of \$4,859,000 from the prior year. This decrease is the result of the normal annual debt amortization, early retirement of debt during fiscal year 2013, and crossover refunding done in October 2012. (see Note 7).

The City continues to operate well under State debt capacity limitations. The State limits the amount of General Obligation Debt outstanding to 5% of the assessed value of all taxable property in the community. The City's debt capacity is \$34,840,527. With outstanding General Obligation Debt applicable to this limit of \$7,410,000 less amounts available for debt service of \$962,647, we are utilizing 19% of this limit. More detailed information on debt administration is provided in Note 7 of the financial statements.

ECONOMIC FACTORS

The City of Le Mars economy is strong. Many businesses and industries expanded in FY 2013. The most notable are:

- Plymouth County Fair
- Bomgaars
- Wells Enterprises
- Red Shed
- Maser Visitor Center (New Center)
- Le Mars Agri Center
- Deans Food
- BoDeans Baking Co.
- Education Station (former Visitor Center)

Many residential properties expanded with additions to existing structures. New housing starts included twenty-two (22) single family units and one (1) multifamily unit. The Housing Tax Exemption Program was utilized effectively.

The design and start of construction was accomplished for the \$21 million expansion of the Wastewater Treatment Plant.

The design and bidding was accomplished for the \$3.5 million Water Tower and Booster Station Project.

Master Plans for the Airport; Rail System; and Floyd Valley Hospital continued throughout the year.

Le Mars Industrial Park 3rd Addition was platted and partially funded with RISE/DOT funds for 27th Street SW.

KNS Addition was platted and fully constructed, which is a seventeen (17) lot residential subdivision.

Dogwood Industrial Park was platted and fully constructed utilizing RISE/DOT funds on 8th Avenue and 11th Street SW creating fourteen (14) additional industrial lots.

Planning began to have a special election for extension of the Local Option Sales Tax, as well as the Hotel/Motel Tax, which occurred in FY 2014.

A significant flood along both Willow Creek and Floyd River resulted in redirecting City assets to cleanup, restore and reestablish numerous City facilities, namely: Golf Course, Recreational Trail, Parks, Airport, Wastewater Systems, etc.

The City of Le Mars is fortunate to have several public/private partnerships to manage, coordinate and finance its growth of infrastructure.'

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department at 712-546-7018.

CITY OF LE MARS, IOWA
STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government			Component Unit
	Governmental	Business-Type	Total	Floyd Valley
	Activities	Activities		Hospital
ASSETS				
Cash and Cash Equivalents	\$ 3,049,001	\$ 7,268,174	\$ 10,317,175	\$ 3,939,740
Investments	146,320	-	146,320	-
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	127,631	345,265	472,896	3,918,056
Taxes	32,961	-	32,961	-
Subsequent Year Taxes	7,650,478	-	7,650,478	-
Accrued Interest	1,808	-	1,808	-
Other	-	-	-	139,436
Estimated Unbilled Usage	-	362,765	362,765	-
Special Assessments	79,712	-	79,712	-
Pledges Receivable	16,250	-	16,250	-
Notes Receivable	1,355,858	50,000	1,405,858	-
Internal Balances	23,833	(23,833)	-	-
Due from Other Governmental Agencies	1,315,607	-	1,315,607	-
Inventories	-	197,088	197,088	384,716
Land Held for Resale	178,771	-	178,771	-
Prepaid Assets	53,471	27,546	81,017	216,789
Other	-	-	-	775,833
Restricted Assets:				
Cash and Cash Equivalents	-	109,250	109,250	3,069,089
Investments	-	-	-	4,458,406
Accrued Interest Receivable	-	-	-	2,351
Land	1,335,137	1,547,178	2,882,315	185,160
Construction in Progress	3,677,845	3,501,331	7,179,176	1,228,929
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	27,173,482	28,111,374	55,284,856	10,133,078
Total Assets	46,218,165	41,496,138	87,714,303	28,451,583
LIABILITIES				
Accounts Payable	1,088,392	957,834	2,046,226	3,010,834
Accrued Wages	126,406	40,067	166,473	1,302,830
Accrued Interest	10,920	11,953	22,873	34,314
Accrued Expenses	113,757	26,566	140,323	464,961
Unearned Revenue	-	4,350	4,350	-
Noncurrent Liabilities:				
Due within one year:				
Revenue Bonds Payable	-	1,200,000	1,200,000	367,000
General Obligation Bonds	930,000	255,000	1,185,000	-
Capital Lease	67,517	10,250	77,767	-
Compensated Absences and Benefits	172,488	30,555	203,043	-
Due in more than one year:				
Revenue Bonds Payable	-	7,909,734	7,909,734	3,406,200
General Obligation Bonds	5,306,322	933,571	6,239,893	-
Notes Payable	-	187,182	187,182	-
Capital Lease	205,520	25,986	231,506	-
Compensated Absences and Benefits, Long-Term	689,953	122,218	812,171	-
Net OPEB Liability	87,423	-	87,423	-
Total Liabilities	8,798,698	11,715,266	20,513,964	8,586,139
Deferred Inflows of Resources				
Unavailable Revenue-				
Subsequent Year Property Taxes	7,650,478	-	7,650,478	-
Total Deferred Inflows of Resources	7,650,478	-	7,650,478	-
NET POSITION				
Net investment in capital assets	26,697,536	22,638,160	49,335,696	7,773,967
Restricted for:				
Specific Revenues	94,629	-	94,629	975,219
Debt Service	951,727	97,297	1,049,024	-
TIF	471,928	-	471,928	-
Road Use Tax	300,176	-	300,176	-
Local Option Sales Tax	297,112	-	297,112	-
Endowments:				
Nonexpendable	146,320	-	146,320	-
Unrestricted	809,561	7,045,415	7,854,976	11,116,258
Total Net Position	\$ 29,768,989	\$ 29,780,872	\$ 59,549,861	\$ 19,865,444

See Accompanying Notes to Financial Statements

CITY OF LE MARS, IOWA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Public Safety	\$ 2,657,446	\$ 638,946	\$ 141,445	\$ 25,576
Public Works	2,950,015	990,602	76,049	1,018,303
Culture and Recreation	1,915,484	693,155	42,639	-
Community and Economic Development	1,061,669	10,295	17,000	833,480
General Government	1,328,903	186,283	-	-
Interest Expense	331,609	-	-	-
Total governmental activities	10,245,126	2,519,281	277,133	1,877,359
Business-Type Activities:				
Golf Course	493,473	359,357	-	-
Water System	2,089,966	1,965,958	-	-
Sewer System	2,337,477	2,892,721	-	-
Solid Waste System	558,846	615,335	-	20,000
Storm Sewer System	39,686	212,031	-	-
Total Business-Type Activities:	5,519,448	6,045,402	-	20,000
Total Primary Government	15,764,574	8,564,683	277,133	1,897,359
Component Unit:				
Floyd Valley Hospital	\$ 33,239,548	\$ 33,257,307	\$ 275	\$ 71,307

General Revenues:
Property taxes
Local Option Sales Tax
Hotel/Motel Taxes
Interest
Use of Property
Refunds and Reimbursements
Miscellaneous
Sale of non-capitalized Assets
Interfund Transfers
Total general revenues and transfers
Change in net position
Net position - beginning
Prior Period Adjustment
Net position - beginning, as restated
Net position - ending

Net (Expense) Revenue and Changes in Net Position			Component Unit Floyd Valley Hospital
Governmental Activities	Business-Type Activities	Total	
\$ (1,851,479)		\$ (1,851,479)	
(865,061)		(865,061)	
(1,179,690)		(1,179,690)	
(200,894)		(200,894)	
(1,142,620)		(1,142,620)	
(331,609)		(331,609)	
<u>(5,571,353)</u>		<u>(5,571,353)</u>	
	\$ (134,116)	(134,116)	
	(124,008)	(124,008)	
	555,244	555,244	
	76,489	76,489	
	<u>172,345</u>	<u>172,345</u>	
	<u>545,954</u>	<u>545,954</u>	
<u>(5,571,353)</u>	<u>545,954</u>	<u>(5,025,399)</u>	
			\$ 89,341
9,040,856	-	9,040,856	-
950,190	-	950,190	-
120,335	-	120,335	-
51,905	26,357	78,262	-
3,600	-	3,600	271,827
312,408	79,721	392,129	-
16,171	-	16,171	-
115,099	744	115,843	-
<u>(2,251,975)</u>	<u>2,251,975</u>	<u>-</u>	<u>-</u>
<u>8,358,589</u>	<u>2,358,797</u>	<u>10,717,386</u>	<u>271,827</u>
2,787,236	2,904,751	5,691,987	361,168
27,162,342	27,023,514	54,185,856	19,504,276
(180,589)	(147,393)	(327,982)	-
<u>26,981,753</u>	<u>26,876,121</u>	<u>53,857,874</u>	<u>19,504,276</u>
<u>\$ 29,768,989</u>	<u>\$ 29,780,872</u>	<u>\$ 59,549,861</u>	<u>\$ 19,865,444</u>

See Accompanying Notes to Financial Statements

CITY OF LE MARS, IOWA
BALANCE SHEET
Governmental Funds
JUNE 30, 2013

	General	TIF	Debt Service	STP FHWA Projects	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and Pooled Investments	\$ 198,386	\$ 460,688	\$ 960,864	\$ -	\$ 1,161,905	\$ 2,781,843
Investments	-	-	-	-	146,320	146,320
Receivables (Net, where applicable, of allowance for uncollectibles)						
Accounts	79,186	-	-	-	45,142	124,328
Taxes	21,456	7,617	1,931	-	1,957	32,961
Subsequent Year Taxes	3,849,919	2,699,635	493,091	-	607,833	7,650,478
Accrued Interest	-	-	-	-	1,808	1,808
Special Assessments	39,000	-	-	-	40,712	79,712
Pledges Receivable	-	-	-	-	16,250	16,250
Notes Receivable	112,000	-	-	-	1,243,858	1,355,858
Due from Other Funds	1,982,415	-	-	-	-	1,982,415
Due from Other Governmental Agencies	87,184	-	-	651,674	576,749	1,315,607
Land Held for Resale	178,771	-	-	-	-	178,771
Total Assets	6,548,317	3,167,940	1,455,886	651,674	3,842,534	15,666,351
Liabilities						
Liabilities:						
Accounts Payable	127,600	-	-	227,208	733,584	1,088,392
Accrued Wages	126,406	-	-	-	-	126,406
Due to Other Funds	-	-	-	619,355	1,339,227	1,958,582
Total Liabilities	254,006	-	-	846,563	2,072,811	3,173,380
Deferred Inflows of Resources						
Unavailable Revenue-						
Subsequent Year Property Taxes	3,849,919	2,699,635	493,091	-	607,833	7,650,478
Delinquent Property Tax	1,192	930	148	-	87	2,357
Special Assessment	39,000	-	-	-	33,773	72,773
Note Receivable	-	-	-	-	155,000	155,000
Total Deferred Inflows of Resources	3,890,111	2,700,565	493,239	-	796,693	7,880,608
Fund Balances:						
Nonspendable:						
Notes Receivable	112,000	-	-	-	-	112,000
Assets Held for Resale	178,771	-	-	-	-	178,771
Perpetual Care	-	-	-	-	146,320	146,320
Restricted for:						
Debt Service	-	-	962,647	-	-	962,647
Road Surface Repairs	-	-	-	-	300,176	300,176
Employee Benefits	-	-	-	-	76,001	76,001
Tax Increment Financing	-	467,375	-	-	4,553	471,928
Law Enforcement	-	-	-	-	3,973	3,973
Local Option Sales Tax	-	-	-	-	297,112	297,112
Tree Farm	-	-	-	-	14,655	14,655
Assigned for:						
Capital Improvement	-	-	-	-	288,763	288,763
Capital Improvement and Facilities	-	-	-	-	435,976	435,976
Unassigned	2,113,429	-	-	(194,889)	(594,499)	1,324,041
Total Fund Balances (Deficits)	2,404,200	467,375	962,647	(194,889)	973,030	4,612,363
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 6,548,317	\$ 3,167,940	\$ 1,455,886	\$ 651,674	\$ 3,842,534	\$ 15,666,351

See Accompanying Notes to Financial Statements

CITY OF LE MARS, IOWA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
For the Year Ended June 30, 2013

Amounts reported for Governmental Activities in the Statement of Net position are different because:

Total Fund Balance - Governmental Funds (page 19)	\$	4,612,363
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds		32,186,464
The internal service fund is used by management to fund and maintain the City's health insurance provided to user departments and is included in the statement of net position.		69,281
Deferred revenues that provide current financial resources for governmental activities.		230,130
Accrued expenses from the balance sheet that require current financial resources for governmental activities.		(10,920)
Prepaid expenses that are reported in the governmental activities but not reported in the funds as they do not provide current economic resources.		53,471
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	\$	6,236,322
Capital Lease		273,037
Compensated Absences		862,441
		<u>(7,371,800)</u>
Total Net Position - Governmental Activities (page 16)	\$	<u>29,768,989</u>

CITY OF LE MARS, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
For the Year Ended June 30, 2013

	General	TIF
Revenue:		
Taxes	\$ 3,465,030	\$ 3,756,797
Other City Taxes	120,335	-
Special Assessments	17,000	-
Licenses and Permits	150,630	-
Intergovernmental Revenue	112,293	-
Charges for Services	983,191	-
Fines and Forfeits	43,607	-
Contributions	74,662	-
Refunds/Reimbursements	92,618	-
Rental Income	294,562	-
Interest	21,868	7,098
Miscellaneous	2,316	-
Total Revenue	5,378,112	3,763,895
Expenditures:		
Public Safety	2,525,838	-
Public Works	847,564	-
Culture and Recreation	1,813,475	-
Community and Economic Development	313,886	12,717
General Government	1,305,052	-
Capital Outlay	28,395	-
Debt Service	-	-
Total Expenditures	6,834,210	12,717
Excess (deficiency) of revenues over expenditures	(1,456,098)	3,751,178
Other financing sources (uses):		
Issuance of Refunding Debt	-	-
Issuance of Capital Lease	74,400	-
Bond Issuance Discount	-	-
Proceeds from Sale of Assets	148,362	-
Transfers In	1,309,747	1,877,724
Transfers Out	-	(5,016,028)
Total other financing sources (uses)	1,532,509	(3,138,304)
Net Change in Fund Balance	76,411	612,874
Fund balances (deficits)-beginning of year	2,327,789	(145,499)
Fund balances (deficits)- end of year	\$ 2,404,200	\$ 467,375

See Accompanying Notes to Financial Statements

Debt Service	STP FHWA Projects	Other Governmental Funds	Total Governmental Funds
\$ 424,753	\$ -	\$ 1,399,226	\$ 9,045,806
-	-	950,190	1,070,525
-	-	21,764	38,764
-	-	-	150,630
-	863,902	1,639,393	2,615,588
-	-	2,037	985,228
-	-	-	43,607
-	-	350,995	425,657
-	-	239,166	331,784
-	-	3,600	298,162
15,180	-	6,644	50,790
-	-	-	2,316
439,933	863,902	4,613,015	15,058,857
-	-	229,348	2,755,186
-	-	-	847,564
-	-	1,760	1,815,235
-	-	272,756	599,359
-	-	10,750	1,315,802
-	1,271,080	3,916,937	5,216,412
7,115,673	-	-	7,115,673
7,115,673	1,271,080	4,431,551	19,665,231
(6,675,740)	(407,178)	181,464	(4,606,374)
1,115,000	-	-	1,115,000
-	-	-	74,400
(15,610)	-	-	(15,610)
-	-	1,500	149,862
523,538	338,071	2,525,436	6,574,516
-	-	(3,171,965)	(8,187,993)
1,622,928	338,071	(645,029)	(289,825)
(5,052,812)	(69,107)	(463,565)	(4,896,199)
6,015,459	(125,782)	1,436,595	9,508,562
\$ 962,647	\$ (194,889)	\$ 973,030	\$ 4,612,363

See Accompanying Notes to Financial Statements

CITY OF LE MARS, IOWA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 22)	\$ (4,896,199)
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Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 4,545,242	
Depreciation expense	<u>(2,233,449)</u>	2,311,793

Governmental funds report the proceeds from the sale of fixed assets as revenue whereas the statement of activities reports the gain or (loss) on the sale or disposal of fixed assets. This is the effect on the change in net position on the statement of activities:	(357,389)
--	-----------

Revenues reported in the funds that are not available to provide current financial resources:	(15,302)
---	----------

Capital contributions reported in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the funds:	32,200
--	--------

Prepaid insurance is not reported in the governmental funds as it is not available to provide current financial resources:	(1,248)
--	---------

Accrued interest expense that does not require current financial resources:	11,906
---	--------

Long-term accrual of compensated absences is not reported in the governmental funds as it does not consume current financial resources. The net change in in the long-term compensated absences for the year was:	(43,003)
---	----------

Internal service funds are used by management to fund and maintain the City's insurance policies provided to user departments and are included in the statement of net assets. The net revenue of the internal service funds is reported with governmental activities:	94,518
--	--------

The effect of bond discounts are shown in the governmental funds when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities:	15,610
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The effect of bond premiums and discounts are shown in the governmental funds when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities:	158
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The issuance of indebtedness provides current financial resources to the governmental funds without affecting net position. The statement of activities does not reflect the proceeds from the issuance of long-term debt. The proceeds from the issuance of long-term debt for the year was:	(1,115,000)
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Capital Leases are shown as providing current financial resources to the governmental funds. The statement of activities does not reflect the proceeds from the issuance of a capital lease. The proceeds from the issuance of a capital lease for the year was:	(74,400)
--	----------

The repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. The principal paid on long-term debt during the current year was as follows:

Bonds payable	\$6,772,000	
Lease obligations payable	<u>51,592</u>	<u>6,823,592</u>

Change in net net position of governmental activities (page 18)	<u>\$ 2,787,236</u>
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CITY OF LE MARS, IOWA
COMBINING STATEMENT OF NET POSITION
Proprietary Funds
JUNE 30, 2013

	Business Type Activities	
	Water System	Sewer System
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 5,196,495	\$ 1,710,571
Receivables (Net, where applicable, of allowance for uncollectibles)		
Accounts	116,077	195,035
Estimated Unbilled Usage	78,721	250,512
Notes Receivable	-	50,000
Inventories	197,088	-
Prepaid Assets	8,912	16,203
Total Current Assets	<u>5,597,293</u>	<u>2,222,321</u>
Noncurrent Assets:		
Restricted Assets:		
Cash and Cash Equivalents	55,544	53,706
Land	174,357	1,082,283
Construction in Progress	262,105	3,216,824
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	11,138,854	13,320,899
Total Noncurrent Assets	<u>11,630,860</u>	<u>17,673,712</u>
Total Assets	<u>17,228,153</u>	<u>19,896,033</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	33,241	868,629
Accrued Wages	16,326	23,741
Accrued Revenue Bond Interest	6,292	5,661
Accrued Expenses	26,566	-
Due to Other Funds	-	-
Unearned Revenue	-	-
Revenue Bonds Payable- Current	590,000	610,000
General Obligation Bonds- Current	-	255,000
Capital Lease- Current	-	-
Compensated Absences and Benefits	21,235	9,320
Total Current Liabilities	<u>693,660</u>	<u>1,772,351</u>
Noncurrent Liabilities:		
Due in more than one year:		
Revenue Bonds Payable	4,848,545	3,061,189
General Obligation Bonds	-	933,571
Notes Payable	187,182	-
Capital Lease	-	-
Compensated Absences and Benefits	84,938	37,280
Net OPEB Liability	-	-
Total Noncurrent Liabilities	<u>5,120,665</u>	<u>4,032,040</u>
Total Liabilities	<u>5,814,325</u>	<u>5,804,391</u>
NET POSITION		
Net investment in capital assets	5,949,589	12,760,246
Restricted for:		
Debt Service	49,252	48,045
Unrestricted	5,414,987	1,283,351
Total Net Position	<u>\$ 11,413,828</u>	<u>\$ 14,091,642</u>

Business Type Activities		Governmental Activities Internal Service
Nonmajor Enterprise Funds	Total	
\$ 361,108	\$ 7,268,174	\$ 267,158
34,153	345,265	3,303
33,532	362,765	-
-	50,000	-
-	197,088	-
2,431	27,546	-
431,224	8,250,838	270,461
-	109,250	-
290,538	1,547,178	-
22,402	3,501,331	-
3,651,621	28,111,374	-
3,964,561	33,269,133	-
4,395,785	41,519,971	270,461
55,964	957,834	-
-	40,067	-
-	11,953	-
-	26,566	113,757
23,833	23,833	-
4,350	4,350	-
-	1,200,000	-
-	255,000	-
10,250	10,250	-
-	30,555	-
94,397	2,560,408	113,757
-	7,909,734	-
-	933,571	-
-	187,182	-
25,986	25,986	-
-	122,218	-
-	-	87,423
25,986	9,178,691	87,423
120,383	11,739,099	201,180
3,928,325	22,638,160	-
-	97,297	-
347,077	7,045,415	69,281
\$ 4,275,402	\$ 29,780,872	\$ 69,281

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Proprietary Funds
For the Year Ended June 30, 2013

	Business Type Activities	
	Water System	Sewer System
Operating Revenues:		
Charges for Services	\$ 1,908,806	\$ 2,876,383
Total Operating Revenue	<u>1,908,806</u>	<u>2,876,383</u>
Operating Expenses:		
Employee Services	515,977	757,769
Contract Services	75,324	264,331
Supplies	87,157	194,446
Repairs and Improvements	443,090	38,045
Utilities	152,406	163,338
Miscellaneous	-	6,318
Depreciation	627,044	775,436
Total Operating Expenses	<u>1,900,998</u>	<u>2,199,683</u>
Operating Income (Loss)	7,808	676,700
Non-Operating Income (Expense):		
Interest Income	9,330	17,027
Refunds and Reimbursements	1,881	73,269
Sale of Uncapitalized Assets	-	744
(Loss) on Disposal of Capital Assets	(62,674)	(786)
Revenue from Use of Property	57,152	16,338
Other Non-operating Income (Expense)	(11,091)	-
Interest Expense	(94,203)	(117,808)
Inter-Governmental Revenue	-	-
Bond Issue Costs	(21,000)	(19,200)
Total Non-Operating Income (Expenses)	<u>(120,605)</u>	<u>(30,416)</u>
Income (Loss) Before Transfers and Contributions	(112,797)	646,284
Contributed Capital Revenue	233,389	316,064
Transfers In	1,460,500	941,000
Transfers (Out)	<u>(278,443)</u>	<u>(278,443)</u>
Change in Net Position	1,302,649	1,624,905
Net Position - Beginning	10,161,896	12,563,413
Prior Period Adjustment	(50,717)	(96,676)
Net Position - Beginning, as restated	<u>10,111,179</u>	<u>12,466,737</u>
Net Position - Ending	<u>\$ 11,413,828</u>	<u>\$ 14,091,642</u>

See Accompanying Notes to Financial Statements

Business Type Activities		Governmental
Nonmajor		Activities
Enterprise		Internal
Funds	Total	Service
\$ 1,156,008	\$ 5,941,197	\$ 835,809
1,156,008	5,941,197	835,809
-	1,273,746	-
693,904	1,033,559	-
120,021	401,624	-
68,051	549,186	-
17,956	333,700	-
12,654	18,972	997,729
176,669	1,579,149	-
1,089,255	5,189,936	997,729
66,753	751,261	(161,920)
-	26,357	1,115
4,571	79,721	255,323
-	744	-
-	(63,460)	-
30,715	104,205	-
-	(11,091)	-
(2,750)	(214,761)	-
20,000	20,000	-
-	(40,200)	-
52,536	(98,485)	256,438
119,289	652,776	94,518
89,045	638,498	-
80,000	2,481,500	-
(311,137)	(868,023)	-
(22,803)	2,904,751	94,518
4,298,205	27,023,514	(25,237)
-	(147,393)	-
4,298,205	26,876,121	(25,237)
\$ 4,275,402	\$ 29,780,872	\$ 69,281

See Accompanying Notes to Financial Statements

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF CASH FLOWS
Proprietary Funds
For the Year Ended June 30, 2013

	Business Type Activities	
	Water System	Sewer System
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 1,927,317	\$ 2,830,770
Cash Paid to Suppliers for Goods and Services	(792,146)	(669,825)
Cash Paid to Employees for Services	(517,228)	(747,002)
Other Nonoperating Income	57,564	40,351
Net Cash Provided by Operating Activities	<u>675,507</u>	<u>1,454,294</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(233,564)	(2,405,812)
Proceeds from Issuance of Bonds	5,992,032	4,092,150
Bond Issuance Costs	(21,000)	(17,700)
Principal Paid on Notes and Bonds	(4,079,000)	(5,123,000)
Interest Paid on Notes and Bonds	(94,836)	(128,770)
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>1,563,632</u>	<u>(3,583,132)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Transfers From (To) Other Funds	1,182,056	662,557
Due From (To) Other Funds	(87,405)	-
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>1,094,651</u>	<u>662,557</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Dividends on Investments	9,330	17,027
Net Cash Provided from Investing Activities	<u>9,330</u>	<u>17,027</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,343,120	(1,449,254)
Cash and Cash Equivalents at Beginning of Year	<u>1,908,919</u>	<u>3,213,531</u>
Cash and Cash Equivalents at End of Year	<u>\$ 5,252,039</u>	<u>\$ 1,764,277</u>

Business Type Activities		Governmental
Nonmajor Enterprise Funds	Total	Activities Internal Service
\$ 1,153,343	\$ 5,911,430	\$ 859,813
(899,672)	(2,361,643)	(960,009)
-	(1,264,230)	-
55,286	153,201	255,323
308,957	2,438,758	155,127
(11,500)	(2,650,876)	-
-	10,084,182	-
-	(38,700)	-
-	(9,202,000)	-
(2,750)	(226,356)	-
(14,250)	(2,033,750)	-
(231,137)	1,613,476	-
(9,039)	(96,444)	-
(240,176)	1,517,032	-
-	26,357	1,115
-	26,357	1,115
54,531	1,948,397	156,242
306,577	5,429,027	110,916
\$ 361,108	\$ 7,377,424	\$ 267,158

See Accompanying Notes to Financial Statements

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF CASH FLOWS (Continued)
Proprietary Funds
For the Year Ended June 30, 2013

	Business Type Activities	
	Water System	Sewer System
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ 7,808	\$ 676,700
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	627,044	775,436
Miscellaneous Non-Operating Income	57,564	40,351
(Increase) Decrease in Assets:		
Accounts Receivable	19,891	(17,978)
Estimated Unbilled Usage	(1,380)	(27,635)
Prepaid Expenses	(864)	(109)
Inventories	(37,336)	-
Unearned Revenue	-	-
Increase (Decrease) in Liabilities		
Accounts Payable	5,572	(3,238)
Accrued Wages and Compensated Absences	(1,251)	10,767
Accrued Expenses	(1,541)	-
Capital Lease Payable	-	-
Total Adjustments	667,699	777,594
Net Cash Provided by Operating Activities	675,507	1,454,294

Supplemental Schedule of Noncash Capital and Related Financing Activities:

Contributed Capital	\$ 233,389	\$ 316,064
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Reconciliation of Cash and Cash Equivalents to the Balance Sheet:

Cash and Cash Equivalents	5,196,495	1,710,571
Restricted Cash and Cash Equivalents	55,544	53,706
	\$ 5,252,039	\$ 1,764,277

Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service
\$ 66,753	\$ 751,261	\$ (161,920)
176,669	1,579,149	-
55,286	153,201	255,323
4,801	6,714	24,004
(3,116)	(32,131)	-
-	(973)	-
-	(37,336)	-
(4,350)	(4,350)	-
(822)	1,512	-
-	9,516	-
23,407	21,866	37,720
(9,671)	(9,671)	-
<u>242,204</u>	<u>1,687,497</u>	<u>317,047</u>
<u>308,957</u>	<u>2,438,758</u>	<u>155,127</u>
<u>\$ 89,045</u>	<u>\$ 638,498</u>	<u>\$ -</u>
361,108	7,268,174	267,158
-	109,250	-
<u>\$ 361,108</u>	<u>\$ 7,377,424</u>	<u>\$ 267,158</u>

See Accompanying Notes to Financial Statements

CITY OF LE MARS, IOWA
STATEMENT OF FIDUCIARY NET POSITION
Agency Funds
JUNE 30, 2013

ASSETS

Cash and Pooled Investments	\$ 6,855
Total Assets	6,855

LIABILITIES

Accounts Payable	6,855
Total Liabilities	6,855

NET POSITION

Unrestricted	-
Total Net Position	\$ -

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2013

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Le Mars, Iowa is a political subdivision of the State of Iowa located in Plymouth County, and was incorporated in 1881, under the laws of the State of Iowa, later amended in 1974 under the Home Rule City Act. The City operates under a Mayor-Council form of government with an appointed administrator and finance director and administers the following programs as authorized by its charter: public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also has municipal water and sewer utility systems, which are governed by the City Council.

The City's financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the City of Le Mars, Iowa, has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City of Le Mars, Iowa (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. Complete financial statements of the individual component unit, which issued separate financial statements as noted below, can be obtained from its respective administrative office.

Discretely Presented Component Unit - The City established a municipal hospital, Floyd Valley Hospital, in 1966. The hospital's financial data is reported in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City and its operating budget is subject to the approval of the City Council.

Jointly Governed Organizations - The City also participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following Boards and Commissions: Plymouth County Assessors' Conference Board, Plymouth County Area Solid Waste Agency, Plymouth County Emergency Management Commission and the Plymouth County Joint E911 Service Board.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2013

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services. The City's general, special revenue, debt service, capital projects and permanent funds are classified as governmental activities. The City's health insurance internal service fund is also classified as a governmental-type activity.

The Statement of Net Position presents the City's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. The City first uses restricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

The City does not allocate indirect costs. Certain expenses of the City are accounted for through the internal service fund on a cost-reimbursement basis.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year activities.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2013

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

as separate columns in the find financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

- 1) General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The sources of revenue include property taxes, charges for services, fines and fees, licenses and permits, as well as state and federal grants. The expenditures of the General Fund relate to general administration, police and fire protection, maintenance of public streets, economic development, and culture and recreation.
- 2) Special Revenue Fund - The TIF (Tax Incremental Financing Fund) is used to account for property taxes received to be expended for public improvements; construction of public infrastructure as well as economic development opportunities; incentives; sites; land; rebates; and grant agreements.
- 3) Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.
- 4) Capital Projects – The STP FHWA Projects Fund accounts for any STP street projects the City has in progress and any associated grant proceeds or other financing items.

The City reports the following major proprietary funds:

The Water Fund is used to account for the operation and maintenance of the City's water system.

The Sewer Fund is used to account for the operation and maintenance of the City's sewer system.

The City reports the following internal service fund:

The Health Insurance Fund is used to account for the funding and maintenance of the City's self-funded health insurance provided to City employees. Since the principal users of this internal service are the City's governmental activities, the financial statements of the health insurance internal service fund are consolidated into the governmental column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity.

The City reports the following fiduciary fund:

The Flex Account is an agency fund that is used to account for the City's cafeteria plan.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2013

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of enterprise funds are charges to customers for sales and services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-recovery basis. The City's internal service fund is presented in the proprietary fund financial statements.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2013

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Fiduciary funds are used to report assets held in an agency or custodial capacity for others and therefore not available to support City programs. Since agency funds are custodial in nature, they do not involve the measurement of results of operations and are not incorporated into the government-wide financial statements.

The City maintains its financial records on the cash basis. The financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most City funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Investments consist of the following:

<u>Type</u>	<u>Method</u>
<u>City</u> Nonnegotiable Certificates of Deposit	Cost
<u>Component Unit</u> Certificates of Deposit	Cost
U.S. Treasury Notes, State & Local Government Series	Fair Value Determined Based on Quoted Market Price By Current Share Prices
Debt Securities	
Negotiable Certificates of Deposit	
Maturity of one year or less when purchased	Amortized Cost
Maturity of more than one year when purchased	Fair Value Based on Quoted Market Price

Property Tax Receivable, Including Tax Increment Financing - Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2013

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City Council to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the City Council to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City Council is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is presented as a deferred inflow and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in March 2012. Any county collections on the 2012-2013 tax levy remitted to the City within 60 days subsequent to June 30, 2013, are recorded as property tax revenue.

Customer Accounts and Unbilled Usage – Accounts receivable are recorded in the Enterprise Funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

Due From and Due to Other Funds - During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds have not been paid or received as of June 30, 2013, balances of interfund amounts payable or receivable have been recorded in the fund financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as interfund balances.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories of the proprietary fund types are valued at cost, which approximates market, using the first-in/first-out (FIFO) method.

Restricted Assets – Funds set aside for payment of Enterprise Fund revenue notes are classified as restricted assets since their use is restricted by applicable note indentures. Other restricted assets include customer deposits restricted for application to unpaid customer accounts or for refund to customers.

Prepaid Items - Payments made to vendors for services that will benefit periods beyond June 30, 2013 are recorded as prepaid items.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2013

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Capital Assets - Capital assets, which include property, equipment and vehicles and infrastructure assets (e.g. roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government) are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position and in the Proprietary Funds Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extending asset lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of \$1,000 and estimated useful lives in excess of two years. Depreciation expense is calculated using the straight-line method over the following useful lives:

Buildings	39 – 50 Years
Utility Plant	20 – 33 Years
Machinery & Equipment	3 - 20 Years
Infrastructure	15 – 70 Years

Deferred Inflows of Resources – In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflow of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported in the governmental funds financial statements and in the governmental activities of the government-wide financial statements. The governmental activities in the government-wide statements report unavailable revenues from subsequent year property taxes. The governmental funds report unavailable revenues from subsequent year property taxes, delinquent property taxes, notes receivable and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Compensated Absences - City employees accumulate a limited amount of earned but unused vacation and sick-leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statement. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

Long-term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the Statement of Net Position and the proprietary fund Statement of Net Position.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2013

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the City intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.

Unassigned – All amounts not included in other spendable classifications.

Classifying Fund Balance Amounts – Fund balance amounts represent the nature of the net resources that are reported in a governmental fund. The City fund balance classifications include non-spendable resources, restricted, and non-restricted (committed, assigned and unassigned) amounts. When the City incurs an expenditure and both restricted and unrestricted amounts are available, the City considers restricted amounts to have been spent. When the City incurs an expenditure for an unrestricted amount, committed amounts are reduced first, followed by assigned amounts and then unassigned amounts for purposes in which any of those unrestricted fund balance classifications could be used.

Interfund Transactions - Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except interfund services provided and used transactions and reimbursements, are reported as transfers.

Landfill Closure Costs - The City is part of an Iowa Code Section 28F agreement with the Plymouth County Solid Waste Agency and, therefore, not required to account for landfill post closure costs.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, disbursements did not exceed the amounts budgeted in the any function.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2013

Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

The City's deposits at June 30, 2013, were entirely covered by Federal Depository Insurance or letters of credit held by the City or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. Chapter 12C provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligation of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Deposits at June 30, 2013, are shown below:

	Primary Government	Component Unit	Agency Fund	Fair Value	Rating
Demand Deposits	\$ (244,430)	\$ 7,008,829	\$ 6,855	\$ 6,771,254	N/A
Savings Deposits	10,670,855	-	-	10,670,855	N/A
Time Deposits	146,320	4,458,406	-	4,604,726	N/A
	<u>\$ 10,572,745</u>	<u>\$ 11,467,235</u>	<u>\$ 6,855</u>	<u>\$ 22,046,835</u>	

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

Custodial Credit Risk – The City has no policy regarding custodial credit risk and deposits with financial institutions, however, deposits are insured by the state sinking fund, which provides for additional assessments against depositories to avoid loss of public funds.

Note 3 - RECEIVABLES

Receivables at June 30, 2013 are net of allowance for uncollectibles. The allowance for uncollectibles of the enterprise funds of the primary government was \$38,116 and the governmental funds of the primary government had an allowance of \$76,787 at June 30, 2013. The component unit had an allowance for uncollectibles of \$4,101,384 at June 30, 2013.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2013

Note 4 - DUE FROM OTHER GOVERNMENTS

At June 30, 2013, amounts due from other governments were as follows:

Due from the Iowa Department of Transportation for road use tax allocations	\$ 80,468
Due from the Iowa Department of Transportation for construction projects	971,455
Due from the State of Iowa for local option sales taxes	160,134
Due from the State of Iowa for hotel and motel sales taxes	35,492
Due from the State of Iowa for other	14,232
Due from Plymouth County for other	5,706
Due from the Federal Emergency Management Agency for flood reimbursement	31,753
Due from the Federal Aviation Administration for airport improvements	13,180
Due from the Iowa Department of Transportation for airport improvements	3,187
Total Due from Other Governments	<u>\$ 1,315,607</u>

Note 5 - INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 2013, short-term interfund borrowings were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
General	Nonmajor Governmental Funds	\$ 1,339,227
General	STP FHWA Projects	619,355
General	Nonmajor Proprietary Funds	23,833
		<u>\$ 1,982,415</u>

The purpose of the interfund balances is to help finance short-term cash flow shortages of various funds.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2013

Note 6 - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

Primary Government

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 1,331,342	\$ 42,200	\$ 38,405	\$ 1,335,137
Construction in Progress	1,191,383	3,762,150	1,275,688	3,677,845
Total capital assets not being depreciated	2,522,725	3,804,350	1,314,093	5,012,982
Capital assets being depreciated:				
Buildings	10,685,858	59,029	1,328,000	9,416,887
Improvements	4,821,089	20,898	-	4,841,987
Equipment	5,259,134	466,797	157,157	5,568,774
Infrastructure	35,019,979	1,502,056	-	36,522,035
Total capital assets being depreciated	55,786,060	2,048,780	1,485,157	56,349,683
Less: Accumulated Depreciation for:				
Buildings	5,860,849	360,087	1,009,450	5,211,486
Improvements	2,882,503	156,969	-	3,039,472
Equipment	4,435,511	348,889	156,723	4,627,677
Infrastructure	14,930,062	1,367,504	-	16,297,566
Total Accumulated Depreciation	28,108,925	2,233,449	1,166,173	29,176,201
Total capital assets being depreciated, net	27,677,135	(184,669)	318,984	27,173,482
Governmental activities capital assets, net	\$ 30,199,860	\$ 3,619,681	\$ 1,633,077	\$ 32,186,464

Construction in progress at June 30, 2013, for the governmental activities consisted of costs associated with numerous street and infrastructure additions and improvements.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2013

Note 6 - CAPITAL ASSETS – (Continued)

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 1,308,313	\$ 238,865	\$ -	\$ 1,547,178
Construction in Progress	192,701	3,310,809	2,179	3,501,331
Total capital assets not being depreciated	1,501,014	3,549,674	2,179	5,048,509
Capital assets being depreciated:				
Buildings	1,549,607	-	-	1,549,607
Improvements	3,834,532	184,373	-	4,018,905
Equipment	906,791	50,107	67,193	889,705
Utility Plant	42,570,365	317,037	100,629	42,786,773
Total capital assets being depreciated	48,861,295	551,517	167,822	49,244,990
Less: Accumulated Depreciation	19,650,706	1,579,149	96,239	21,133,616
Total capital assets being depreciated, net	29,210,589	(1,027,632)	71,583	28,111,374
Business-type activities capital assets, net	\$30,711,603	\$ 2,522,042	\$ 73,762	\$33,159,883

Construction in progress at June 30, 2013 consisted of costs associated with water main extensions and storm sewer improvements.

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
Public Safety	\$ 192,830
Public Works	1,692,447
Culture and Recreation	148,459
Community and Economic Development	175,040
General Government	24,673
Total depreciation expense – governmental activities	<u>\$ 2,233,449</u>
Business-Type Activities:	
Water	\$ 627,044
Sewer	775,436
Golf Course	113,826
Storm Sewer	39,686
Solid Waste	23,157
Total depreciation expense – business-type activities	<u>\$ 1,579,149</u>

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2013

Note 6 - CAPITAL ASSETS – (Continued)

A summary of changes in capital assets for the discretely presented component unit is as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Component Unit:				
Capital assets not being depreciated:				
Land	\$ 185,160	\$ -	\$ -	\$ 185,160
Construction in Progress	362,854	1,558,712	692,637	1,228,929
Total capital assets not being depreciated	548,014	1,558,712	692,637	1,414,089
Capital assets being depreciated:				
Land Improvements	873,519	-	-	873,519
Buildings and Fixed Equipment	18,234,568	19,394	15,003	18,238,959
Major Movable Equipment	7,202,707	1,198,433	557,027	7,844,113
Intangible – Medical Records	252,633	-	-	252,633
Total capital assets being depreciated	26,563,427	1,217,827	572,030	27,209,224
Less: Accumulated Depreciation	16,104,042	1,536,094	563,990	17,076,146
Total capital assets being depreciated, net	10,459,385	(318,267)	8,040	10,133,078
Component unit capital assets, net	\$ 11,007,399	\$ 1,240,445	\$ 700,677	\$ 11,547,167

Construction in progress at June 30, 2013, consisted of renovations to the Hospital.

Reconciliation of Net Investment in Capital Assets:

	Governmental Activities	Business-Type Activities	Component Unit
Land	\$ 1,335,137	\$ 1,547,178	\$ 185,160
Construction in Progress	3,677,845	3,501,331	1,228,929
Capital Assets (net of accumulated depreciation)	27,173,482	28,111,374	10,133,078
Less: General Obligation Bonds Payable	5,215,891	1,188,571	-
Notes Payable	-	187,182	-
Revenue Bonds	-	9,109,734	3,773,200
Capital Lease	273,037	36,236	-
Net Investment in Capital Assets	\$ 26,697,536	\$ 22,638,160	\$ 7,773,967

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2013

Note 7 - LONG-TERM DEBT

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and projects. General obligation bonds have been issued for both governmental and business-type activities. These bonds are direct obligations and pledge the full faith and credit of the City.

General obligation bonds outstanding as of June 30, 2013 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Amounts</u>
Governmental Activities – 2010 Refunding	2.75-3.125%	June 1, 2018	\$ 260,000
Business-Type Activities – 2010 Refunding	2.75-3.125%	June 1, 2018	1,165,000
Governmental Activities – 2011 Refunding	.60-2.300%	June 1, 2021	4,950,000
Governmental Activities – 2012C Refunding	.45-1.45%	June 1, 2020	1,035,000
			<u>7,410,000</u>
Net unamortized premiums and discounts			14,893
Total General Obligation Bonds on Statement of Net Assets			<u>\$ 7,424,893</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 930,000	\$ 771,993	\$ 255,000	\$ 34,344
2015	995,000	769,038	270,000	26,694
2016	1,015,000	780,558	280,000	18,594
2017	930,000	781,998	285,000	10,894
2018	735,000	580,680	75,000	2,343
2019-2023	1,640,000	1,326,478	-	-
Total	<u>\$ 6,245,000</u>	<u>\$ 5,010,745</u>	<u>\$ 1,165,000</u>	<u>\$ 92,869</u>

Revenue Bonds

The City also has issued revenue bonds where the City pledges income derived from the acquired or constructed asset to pay debt service. These funds have been expended on construction of the water treatment and wastewater treatment facilities. Financing details are as follows:

The City issued a 2012A sewer revenue bond totaling \$4,135,000 during the fiscal year that was used to refund the 2004 series revenue bonds.

The City issued a 2012B water revenue bond totaling \$5,865,000 during the fiscal year that was issued to refund 2003 and 2005 series water revenue bonds. Proceeds were also used for water infrastructure improvements.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2013

Note 7 - LONG-TERM DEBT (Continued)

Revenue bonds outstanding (shown on statements net of unamortized bond discount of \$95,266) at June 30, 2013 are as follows:

Primary Government

<u>Purpose</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Amounts</u>
Business-type Activities- Sewer 2012A Revenue Bonds	.50-1.3%	June 1, 2019	\$ 3,710,000
Business-type Activities – Water 2012B Revenue Bonds	.50-2.70%	June 1, 2028	5,495,000
			<u>\$ 9,205,000</u>

Revenue Bonds

Annual revenue bond debt service requirement to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 1,200,000	\$ 111,483
2015	1,205,000	104,283
2016	1,215,000	95,245
2017	1,220,000	84,918
2018	1,240,000	72,718
2019-2023	3,125,000	281,001
Total	<u>\$ 9,205,000</u>	<u>\$ 749,648</u>

Advance and Current Refundings

In June 2010, the City issued \$2,095,000 of General Obligation Bonds, which is a crossover advance refunding of the 2002 and 2003 corporate purpose general obligation bonds. The 2002 and 2003 corporate purpose general obligation bonds were paid off in full during fiscal year 2011. The 2010 bonds carry an average interest rate of 2.94% and the 2002 and 2003 bonds refunded had an average interest rate of 4.18% and 3.35%. This resulted in a reduction of its debt service payments over the next eight years by \$87,054, and an economic gain of \$81,783.

In October 2011, the City issued \$4,950,000 of General Obligation Refunding Bonds, Series 2011 in a crossover advance refunding of Series 2006B General Obligation Corporate Purpose and Refunding Bonds. The 2011 bonds have an average interest rate of 1.45% and the 2006 bonds being refunded have an average interest rate of 4.0%. The 2006B General Obligation Corporate Purpose and Refunding Bonds were paid off in full during fiscal year 2013. As a result of this refunding, the City reduced its debt service payments over the next eight years by \$321,515, and obtain an economic gain of \$283,794.

In December 2012, the City issued \$4,135,000 of sewer revenue bonds Series 2012A, which was

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2013

Note 7 - LONG-TERM DEBT (Continued)

used to refund 2004 state revolving loan fund sewer revenue bonds. The 2012A series bonds carry an average interest rate of 1.02% and the 2004 series revenue bonds carried an interest rate of 3.25%. This resulted in a reduction of the City's debt service payments over the next nine years by \$555,880, and obtained an economic gain of \$425,659.

In December 2012, the City issued \$5,865,000 of water revenue improvements and refunding bonds Series 2012B, which a portion was used to refund 2003 state revolving loan fund water revenue bonds. The 2012B series bonds carry an average interest rate of 1.02% and the 2003 state revolving loan fund water revenue bonds carried an interest rate of 3.25%. This resulted in a reduction of the City's debt service payments over the next eight years by \$339,396, and obtained an economic gain of \$264,210.

In December 2012, the City issued \$1,115,000 of general obligation refunding bonds Series 2012C, which was used to refund 2007 state revolving fund general obligation bonds. The 2012C series bonds carry an average interest rate of 1.02% and the 2007 series bonds carried an interest rate of 3.0%. This resulted in a reduction of the City's debt service payments over the next 13 years by \$218,014, and obtained an economic gain of \$154,466.

Component Unit

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amounts</u>
Hospital/Component Unit	3.0-5.45%	\$ 730,100
Hospital/Component Unit	2.5-5.9%	2,935,100
Hospital/Component Unit	0%	108,000
		<u>\$ 3,773,200</u>

These notes are reported net of unaccreted discount of \$74,800.

Scheduled principal and interest repayments on revenue notes are as follows:

<u>Year Ending June 30,</u>	<u>Rural Economic Development Loan</u>		<u>Revenue Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 72,000	\$ -	\$ 295,000	\$ 198,437
2015	36,000	-	305,000	183,183
2016	-	-	325,000	166,883
2017	-	-	340,000	149,347
2018	-	-	360,000	130,536
2019-2023	-	-	2,115,000	318,738
	<u>\$ 108,000</u>	<u>\$ -</u>	<u>\$ 3,740,000</u>	<u>\$ 1,147,124</u>

Notes Payable

In April 2012, the City agreed to borrow up to \$390,000 from Iowa State Revolving fund for planning and design of the City's upcoming water improvement projects. The City drew down \$187,182 during fiscal year 2013. The note bears no interest and has a maturity date of June 15, 2022 and no principal payments are required until the maturity date.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2013

Note 7 - LONG-TERM DEBT (Continued)

Capital Leases

In fiscal year 2010, the City entered into capital lease agreements for the acquisition of a backhoe, motor grader, and fairway mower. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of its minimum lease payments as of the inception date.

In fiscal year 2011, the City entered into capital lease agreement for the acquisition of a wheel loader. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its minimum lease payments as of the inception date.

In fiscal year 2012, the City entered into capital lease agreement for the acquisition of a wheel loader, tractor and fitness equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its minimum lease payments as of the inception date.

In fiscal year 2013, the City entered into a capital lease agreement for the acquisition of a skid loader. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its minimum lease payments at the inception date.

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities
Asset:		
Equipment	\$ 404,132	\$ 55,031
Less Accumulated Depreciation	232,832	44,025
Total	<u>\$ 171,300</u>	<u>\$ 11,006</u>

The following is a schedule of future minimum lease payments under capital lease, together with the net present value of the minimum lease payments as of June 30, 2013.

Year Ending June 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 67,517	\$ 10,195	\$ 77,712	\$ 10,250	\$ 2,171	\$ 12,421
2015	68,335	7,411	75,746	10,864	1,557	12,421
2016	70,836	4,911	75,747	15,122	(2,702)	12,420
2017	32,408	2,239	34,647	-	-	-
2018	10,953	1,106	12,059	-	-	-
2019-2020	\$ 22,988	\$ 1,130	24,118	\$ -	\$ -	-
Minimum Lease Payments			300,029			37,262
Less: Amount Representing Interest			(26,992)			(1,026)
Present Value of Minimum Lease Payments			<u>\$ 273,037</u>			<u>\$ 36,236</u>

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2013

Note 7 - LONG-TERM DEBT (Continued)

Changes in Long-Term Liabilities

Long-Term liability activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities:					
Bonds Payable:					
General Obligation	\$ 11,902,000	\$ 1,115,000	\$ 6,772,000	\$ 6,245,000	\$ 930,000
Unaccreted Bond Premium	7,090	-	1,199	5,891	-
Unaccreted Bond Discount	-	(15,610)	(1,041)	(14,569)	-
Other Post Employment Benefits	66,984	20,439	-	87,423	-
Capital Lease	250,229	74,400	51,592	273,037	67,517
Compensated Absences	820,927	205,699	164,185	862,441	172,488
Governmental Activity Long-Term Liabilities	13,047,230	1,399,928	6,987,935	7,459,223	1,170,005
Business-Type Activities:					
Bonds Payable:					
General Obligation	1,420,000	-	255,000	1,165,000	255,000
Unaccreted Bond Premium	28,365	-	4,794	23,571	-
Revenue Bonds	8,152,000	10,000,000	8,947,000	9,205,000	1,200,000
Unaccreted Bond Discount	-	(100,000)	(4,734)	(95,266)	-
Notes Payable	-	187,182	-	187,182	-
Capital Lease	45,907	-	9,671	36,236	10,250
Compensated Absences	165,439	20,423	33,089	152,773	30,555
Business-Type Activity Long-Term Liabilities	9,811,711	10,107,605	9,244,820	10,674,496	1,495,805
Component Unit:					
Bonds Payable:					
Revenue Bonds	4,025,000	-	285,000	3,740,000	295,000
Rural Economic Development Note	180,000	-	72,000	108,000	72,000
Less Deferred Amounts:					
Of Bond Discount	(80,500)	-	(5,700)	(74,800)	-
Total Bonds Payable	\$ 4,124,500	\$ -	\$ 351,300	\$ 3,773,200	\$ 367,000

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2013

Note 8 - TRANSFERS

The following is a summary of transfers between funds:

	TIF	Nonmajor Governmental	Sewer	Water	Nonmajor Enterprise	Total Transfer In
General	\$ 400,000	\$ 231,724	\$ 278,443	\$ 278,443	\$ 121,137	\$1,309,747
Debt Service	428,413	95,125	-	-	-	523,538
TIF	-	1,877,724	-	-	-	1,877,724
STP FHWA Projects	-	338,071	-	-	-	338,071
Nonmajor Governmental	1,786,115	549,321	-	-	190,000	2,525,436
Sewer	941,000	-	-	-	-	941,000
Water	1,460,500	-	-	-	-	1,460,500
Nonmajor Enterprise	-	80,000	-	-	-	80,000
Transfer Out	\$5,016,028	\$ 3,171,965	\$ 278,443	\$ 278,443	\$ 311,137	\$9,056,016

Transfers are used to:

1. Move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.
2. To move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due.
3. To use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 9- PENSION AND RETIREMENT

Iowa Public Employees Retirement System - The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute plan to members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% of covered salary. Certain employees are covered by another plan. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$245,604, \$218,838 and \$185,759, respectively, equal to the required contributions for each year.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2013

Note 9- PENSION AND RETIREMENT – (Continued)

Municipal Fire and Police Retirement System of Iowa – The City contributes to the Municipal Fire & Police Retirement System of Iowa (MFPRSI), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. MFPRSI provides retirement, disability and death benefits which are established by State statute to plan members and beneficiaries. MFPRSI issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to MFPRSI, 7155 Lake Drive, Suite 201, West Des Moines, Iowa 50266.

Plan members are required to contribute 9.40% of earnable compensation and the City's contribution rate, based upon an actuarially determined normal contribution rate, is 26.12% of earnable compensation. Contribution rates are established by State statute. The City's contribution to MFPRSI for the years ended June 30, 2013, 2012 and 2011 were \$224,467, \$210,773 and \$172,727, respectively, which met the required minimum contribution for each year.

Note 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The City implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions* during the year ended June 30, 2009.

Plan Description. The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 54 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is a partially self-funded medical plan, administered by Avera Health. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy. The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2013

Note 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) – (Continued)

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution	\$ 26,817
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>26,817</u>
Contributions made	<u>(6,378)</u>
Increase in net OPEB obligation	20,439
Net OPEB obligation beginning of year	<u>66,984</u>
Net OPEB obligation end of year	<u>\$ 87,423</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 27,226	43%	\$ 15,515
June 30, 2010	\$ 27,226	43%	\$ 31,030
June 30, 2011	\$ 27,226	43%	\$ 46,545
June 30, 2012	\$ 26,817	24%	\$ 66,984
June 30, 2013	\$ 26,817	24%	\$ 87,423

Funded Status and Funding Progress. As of June 30, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$238,651, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$238,651. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,126,273 and the ratio of the UAAL to covered payroll was 6.8%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2013

Note 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) – (Continued)

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of June 30, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4.5% discount rate based on the City's funding policy. The projected annual medical trend rate is 7%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the 2004 United States Life Tables. Based on the assumption that retirees were assumed to participate in the insurance until their sick leave account was exhausted. At that time continued participation was assumed to be 10% and 0% for active employees that are currently waiving coverage.

Projected claim costs of the medical plan are \$14,715 and \$15,818 annually for retirees and spouses, respectively, less than age 65. The salary increase rate was assumed to be 3.0% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 11- MAJOR CUSTOMER

During the year ended June 30, 2013, charges for services provided by the sewer utility of the City to Wells' Enterprises, Inc. was \$1,269,068 and to Dean's Food's, Inc. was \$492,572. This represents 44% and 17%, respectively, of total sewer charges for service. Charges for services provided by the water utility of the City to Wells' Enterprises, Inc. was \$485,241 which represents 25% of total water charges for services.

Note 12 - DEFICIT FUND EQUITY

The City has six funds with deficit equity balances at June 30, 2013. The City intends to finance these deficits from various resources including; general funds, special assessments, future TIF collections, and capital project debt financing.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2013

Note 12 - DEFICIT FUND EQUITY – (Continued)

The individual fund deficits were as follows:

Special Revenue – Westmar University TIF	\$ 319,507
Capital Project – Community Betterment	193,041
Capital Project – Industrial Park.....	87,908
Capital Project – STP FHWA Projects	198,889
Capital Project – TIF Capital Projects.....	98,271
Capital Project – Street Construction	69,797

Note 13- RISK MANAGEMENT

Medical Insurance – As of July 1, 2001, the City began using a partially self-funded medical insurance program accounted for in an internal service fund. Costs of the program include medical benefits, administration fees and premiums for stop-loss coverage with limits of \$40,000 per covered employee per year. Based on prior year claims, the City was required to cover costs up to \$150,000 for one of its covered employees during the 2011 fiscal year. This was the only year where settled claims exceeded commercial insurance coverage in any of the past three fiscal years. Settled claims resulting from these or any other of the following risks have not exceeded commercial insurance coverage in any of the past three fiscal years, except as noted above.

Claims payable and estimated claims incurred but not reported are recorded as liabilities of the Internal Service Fund.

	2013	2012
Unpaid claims, beginning of fiscal year	\$ 96,476	\$ 108,543
Incurred claims (including IBNR's)	929,238	689,943
Claim payments	(911,957)	(702,010)
Unpaid claims, end of fiscal year	<u>\$ 113,757</u>	<u>\$ 96,476</u>

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 679 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public official's liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2013

Note 13- RISK MANAGEMENT- (Continued)

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2013 were \$95,143.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool, up to \$250,000 each occurrence, each location, with excess coverage reinsured by Lexington Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The City does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2013, no liability has been recorded in the City's financial statements. As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions, however, the refund is reduced by an amount equal to the annual casualty operating contribution, which the withdrawing member would have made for the one-year period following withdrawal.

The City also participates in the Iowa Municipalities Workers' Compensation Association (IMWCA) for workman's compensation insurance.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2013

Note 14- COMMITMENTS

During the year ended June 30, 2013, the City had entered into several construction contracts totaling approximately \$23,833,761 of which approximately \$5,549,096 has been expended to date. The remaining balance of \$18,284,665 will be paid as work progresses.

During the year ended June 30, 2002, the City entered into a 28E Agreement with Plymouth County and surrounding communities to contribute funds for the construction of a County jail from local option sales tax proceeds. The City of Le Mars has agreed to contribute a total of \$2,166,101 through November 2016. As of June 30, 2013, the City has made payments totaling \$1,597,323.

Note 15 - NOTES RECEIVABLE

In January 2000, the City sold 75.87 acres in the Killeas Industrial Park to the Le Mars Business Initiative Corporation (LBIC) for \$8,000 per acre. In addition, the City and the LBIC have entered into a development agreement for which the City pays all costs to develop this property. The LBIC plans to market the land to prospective businesses. As each lot is sold by the LBIC, the net purchase price will be immediately payable to the City of Le Mars until such time as all costs associated with this project have been repaid. The note receivable as of June 30, 2013 is \$158,400.

In August 2004, the City loaned the LBIC \$110,000 which was then passed along to Prime Living Apartments as an Economic Development Loan. The loan is a 20 year 1% loan with interest payments due annually beginning December 31, 2005 and the principal due in a one time balloon payment on or before December 31, 2025.

Beginning in FY 2006 the City to date has contributed \$525,000 to the LBIC, for the acquisition of the Winter's feedlot property to initiate development near the Well's Enterprises Corporate Campus. Plymouth County also contributed in equal amounts to this project. These amounts will be repaid as funds are available from the sales of any of the property. In addition, the City incurred \$188,577 of expenditures related to the clean up and restoration of the Crescent Ridge Property. The City was reimbursed for these costs when a portion of the property was sold in FY 11. The full amounts of the original contributions will be repaid to the City as funds are available from future sales. During the year ended June 30, 2013, the City purchased Plymouth County's one-half interest in the Crescent Ridge Development for \$297,500. No other activity occurred during fiscal year 2013. At June 30, 2013, this loan had a remaining balance of \$830,458.

In May 2009, the City loaned the LBIC \$10,000 which was passed along to BoDean's as an economic development loan. The loan is a 5 year 0% loan with the payments of \$2,000 due annually beginning one year from the date of the note. At June 30, 2013, this loan had a remaining balance of \$2,000.

On September 1, 2009, the City agreed to provide a \$200,000, no interest, unsecured loan, to aid the Le Mars Area Dialysis Organization for construction of their new dialysis facility. All of these funds were drawn during fiscal year 2011. The first payment was not required until 18 months after Le Mars Area Dialysis received official Medicare approval to operate. Le Mars Area Dialysis received Medicare approval to operate during calendar year 2012 and one payment had been received by the City as of June 30, 2013. At June 30, 2013, this loan had a remaining balance of \$100,000.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2013

Note 15 - NOTES RECEIVABLE (Continued)

In September 2010, the City completed construction of a parking lot for a health care facility leased by Weinberg Investments, Inc. Total construction costs were \$155,000, of which the City will be reimbursed by Weinberg Investments, Inc., this note accrues interest at a rate of 3.5% per year. Interest only payments started March 1, 2011 and will continue until March 1, 2014. A balloon payment of all principal and accrued interest remaining on the promissory note is scheduled to be paid March 1, 2015.

During fiscal year 2011 the City distributed \$125,000 in the form of a forgivable loan to Royal Theatres, LLC. There will be no principal or interest payments required, provided Royal Theatres, LLC remains in business as a movie theater. For each year that passes, \$25,000 will be forgiven provided Royal Theatres, LLC continues to operate as a movie theater thus after 5 years the entire loan would be forgiven. As of June 30, 2013 Royal Theatres, LLC is in compliance with loan requirements and the note balance is \$75,000.

Note 16 - PRIOR PERIOD ADJUSTMENT

In previous years bond issuance costs were deferred and amortized over the term of the bonds. During the year ended June 30, 2013, the City implemented Governmental Accounting Standards Board Statement No 65 requiring these costs to be recognized in the period the loan was originated. A prior period adjustment was reported on the financial statements to recognize the effect of the removal of the unamortized bond issuance costs. The prior period adjustment decreased the beginning balance of the net position of the governmental activities by \$180,589. The prior period adjustment also decreased the beginning balance of the net position of the business-type activities by a total of \$147,393 of which \$50,717 reduced the water enterprise fund beginning balance and \$96,676 the sewer enterprise beginning balance.

Note 17 - SUBSEQUENT EVENT

On June 18, 2013, the City Council approved sewer revenue loans not to exceed \$21,080,000, to fund the wastewater treatment improvements. These loans were dated July 15, 2013. As of report date \$6,584,266 had been drawn on the loans, which accrue interest at 3.1%.

On November 5, 2013, the City Council approved hospital revenue bonds, which were dated November 18, 2013. The bonds were in three issues totaling \$25,600,000. The City has no liability for these bonds, as they are to be repaid with hospital revenues.

CITY OF LE MARS, IOWA
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) -
Governmental Funds and Proprietary Funds
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2013

	Governmental Fund Type Actual	Proprietary Funds Actual	Floyd Valley Hospital
Receipts:			
Taxes	\$ 6,166,475	\$ -	\$ -
Tax Increment Financing	4,929,017	-	-
Other Tax	-	-	-
Licenses and Permits	145,718	-	-
Use of Money and Property	333,876	105,867	-
Intergovernmental	1,210,285	20,000	-
Charges for Services	977,888	5,908,231	33,072,622
Miscellaneous	979,280	56,073	173,925
Total	<u>14,742,539</u>	<u>6,090,171</u>	<u>33,246,547</u>
Disbursements:			
Public Safety	2,779,620	-	-
Public Works	913,631	-	-
Culture and Recreation	1,742,505	-	-
Community and Economic Development	605,826	-	-
General Government	1,229,713	-	-
Capital Projects	4,958,699	-	-
Debt Service	7,131,282	-	-
Business Type Activities	-	15,751,854	33,547,989
Total Disbursements	<u>19,361,276</u>	<u>15,751,854</u>	<u>33,547,989</u>
Excess (deficiency) of receipts over disbursements	(4,618,737)	(9,661,683)	(301,442)
Other financing sources net:			
Proceeds from Debt Financing	1,115,000	10,084,182	-
Sale of Assets	227,104	8,865	-
Interfund Transfers In	6,574,516	2,481,500	-
Interfund Transfers Out	(8,187,993)	(868,023)	-
Total other financing sources net	<u>(271,373)</u>	<u>11,706,524</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(4,890,110)	2,044,841	(301,442)
Balances - beginning of year	7,842,106	5,308,750	11,768,677
Balances - end of year	<u>\$ 2,951,996</u>	<u>\$ 7,353,591</u>	<u>\$ 11,467,235</u>

Total Actual	Budgeted Amounts		Final Budget Favorable (Unfavorable)
	Original	Final	
\$ 6,166,475	\$ 3,915,662	\$ 3,915,662	\$ (2,250,813)
4,929,017	4,066,414	4,066,414	(862,603)
-	1,327,614	1,327,614	1,327,614
145,718	57,000	57,000	(88,718)
439,743	263,950	263,950	(175,793)
1,230,285	1,017,500	2,029,500	799,215
39,958,741	44,744,310	44,854,310	4,895,569
1,209,278	96,000	208,000	(1,001,278)
<u>54,079,257</u>	<u>55,488,450</u>	<u>56,722,450</u>	<u>2,643,193</u>
2,779,620	2,579,271	2,806,271	26,651
913,631	934,042	934,042	20,411
1,742,505	1,627,002	1,751,002	8,497
605,826	323,468	691,468	85,642
1,229,713	1,202,351	1,347,351	117,638
4,958,699	4,762,555	5,762,555	803,856
7,131,282	1,029,863	7,179,863	48,581
49,299,843	42,908,978	55,008,978	5,709,135
<u>68,661,119</u>	<u>55,367,530</u>	<u>75,481,530</u>	<u>6,820,411</u>
(14,581,862)	120,920	(18,759,080)	4,177,218
11,199,182	-	13,215,000	(2,015,818)
235,969	-	-	235,969
9,056,016	7,270,437	7,270,437	1,785,579
(9,056,016)	(7,270,437)	(7,270,437)	(1,785,579)
<u>11,435,151</u>	<u>-</u>	<u>13,215,000</u>	<u>(1,779,849)</u>
(3,146,711)	120,920	(5,544,080)	2,397,369
24,919,533	24,919,533	24,919,533	-
<u>\$ 21,772,822</u>	<u>\$ 25,040,453</u>	<u>\$ 19,375,453</u>	<u>\$ 2,397,369</u>

CITY OF LE MARS, IOWA
BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2013

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 14,742,539	\$ 316,318	\$ 15,058,857
Expenditures	19,361,276	303,955	19,665,231
Net	(4,618,737)	12,363	(4,606,374)
Other Financing Sources, net	(271,373)	(18,452)	(289,825)
Beginning Fund Balance	7,842,106	1,666,456	9,508,562
Ending Fund Balance	<u>\$ 2,951,996</u>	<u>\$ 1,660,367</u>	<u>\$ 4,612,363</u>

	Enterprise Funds		
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 6,090,171	\$ 70,962	\$ 6,161,133
Expenses	15,751,854	(10,243,497)	5,508,357
Net	(9,661,683)	10,314,459	652,776
Other Financing Sources, net	11,706,524	(9,454,549)	2,251,975
Beginning Net Position	5,308,750	21,714,764	27,023,514
Prior Period Adjustment	-	(147,393)	(147,393)
Ending Net Position	<u>\$ 7,353,591</u>	<u>\$ 22,427,281</u>	<u>\$ 29,780,872</u>

	Component Unit		
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 33,246,547	\$ 354,169	\$ 33,600,716
Expenses	33,547,989	(308,441)	33,239,548
Net	(301,442)	662,610	361,168
Beginning Net Position	11,768,677	7,735,599	19,504,276
Ending Net Position	<u>\$ 11,467,235</u>	<u>\$ 8,398,209</u>	<u>\$ 19,865,444</u>

CITY OF LE MARS
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2013

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Agency Funds and the Internal Service Funds, and appropriates the amount deemed necessary for each of the different City offices and departments. The budgets may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end. The budget was amended once during the year.

Formal and legal budgetary control is based upon nine major classes of expenditures known as functions, not by fund. These nine functions are: public safety, public works, community and economic development, health and social services, culture and recreation, general government, debt service, capital projects, and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$20,114,000. The budget amendment is reflected in the final budgeted amounts.

During the fiscal year ended June 30, 2013, disbursements did not exceed the amounts budgeted in any function.

CITY OF LE MARS, IOWA
Schedule of Funding Progress for the
Retiree Health Plan

Required Supplementary Information							
Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2008	-	\$ 234,941	\$ 234,941	0.00%	\$2,770,000	8.5%
2011	July 1, 2008	-	\$ 234,941	\$ 234,941	0.00%	\$2,770,000	8.5%
2012	June 30, 2012	-	\$ 238,651	\$ 238,651	0.00%	\$2,911,872	8.2%
2013	June 30, 2012	-	\$ 238,651	\$ 238,651	0.00%	\$3,126,273	7.6%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

CITY OF LE MARS, IOWA
COMBINING BALANCE SHEET
Governmental Nonmajor Funds
JUNE 30, 2013

	Special Revenue Funds			
	Community Betterment	Westmar University TIF	CDBG Home Fund	CDBG Land Fund
Assets				
Cash and Pooled Investments	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	-	-	-	-
Taxes	-	396	-	-
Subsequent Year Taxes	-	332,158	-	-
Accrued Interest	-	-	-	-
Special Assessments	-	-	-	-
Pledges Receivable	16,250	-	-	-
Notes Receivable	-	-	-	-
Due from Other Governmental Agencies	-	-	-	-
Total Assets	<u>16,250</u>	<u>332,554</u>	<u>-</u>	<u>-</u>
Liabilities:				
Accounts Payable	-	-	-	-
Due to Other Funds	209,291	319,903	-	-
Total Liabilities	<u>209,291</u>	<u>319,903</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources				
Unavailable Revenue-				
Subsequent Year Property Taxes	-	332,158	-	-
Delinquent Property Tax	-	-	-	-
Special Assessment	-	-	-	-
Note Receivable	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>332,158</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Nonspendable:				
Perpetual Care	-	-	-	-
Restricted for:				
Road Surface Repairs	-	-	-	-
Employee Benefits	-	-	-	-
Tax Increment Financing	-	-	-	-
Law Enforcement	-	-	-	-
Local Option Sales Tax	-	-	-	-
Tree Farm	-	-	-	-
Assigned for:				
Capital Improvement	-	-	-	-
Capital Improvement and Facilities	-	-	-	-
Unassigned	(193,041)	(319,507)	-	-
Total Fund Balances (Deficits)	<u>(193,041)</u>	<u>(319,507)</u>	<u>-</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 16,250</u>	<u>\$ 332,554</u>	<u>\$ -</u>	<u>\$ -</u>

Special Revenue Funds							
Joint Urban Renewal TIF	Police Pension Fund	Unemploy- ment	Road Use Tax	Local Option Sales Tax	Special Law Enforcement	Tree Farm	
\$ 4,553	\$ 18,601	\$ 56,420	\$ 226,658	\$ 36,978	\$ 3,973	\$ 14,655	
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	1,505	56	-	-	-	-	-
-	265,718	9,957	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	100,000	-	-	-
-	-	-	80,468	160,134	-	-	-
4,553	285,824	66,433	307,126	297,112	3,973	14,655	
-	-	-	-	-	-	-	-
-	-	494	6,950	-	-	-	-
-	-	-	-	-	-	-	-
-	-	494	6,950	-	-	-	-
-	-	-	-	-	-	-	-
-	265,718	9,957	-	-	-	-	-
-	84	3	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	265,802	9,960	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	300,176	-	-	-	-
-	20,022	55,979	-	-	-	-	-
4,553	-	-	-	-	-	-	-
-	-	-	-	-	3,973	-	-
-	-	-	-	297,112	-	-	-
-	-	-	-	-	-	14,655	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
4,553	20,022	55,979	300,176	297,112	3,973	14,655	
\$ 4,553	\$ 285,824	\$ 66,433	\$ 307,126	\$ 297,112	\$ 3,973	\$ 14,655	

(continued)

CITY OF LE MARS, IOWA
COMBINING BALANCE SHEET
Governmental Nonmajor Funds
JUNE 30, 2013

	Capital Project			
	Industrial Park	Airport Runway Extension	Street Construction	Public Safety Building Improvement
Assets				
Cash and Pooled Investments	\$ 53,296	\$ 128,706	\$ -	\$ 414,576
Investments	-	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	23,742	-	-	21,400
Taxes	-	-	-	-
Subsequent Year Taxes	-	-	-	-
Accrued Interest	-	-	1,808	-
Special Assessments	-	-	38,697	-
Pledges Receivable	-	-	-	-
Notes Receivable	158,400	-	155,000	-
Due from Other Governmental Agencies	319,780	16,367	-	-
Total Assets	555,218	145,073	195,505	435,976
Liabilities:				
Accounts Payable	643,126	14,644	-	-
Due to Other Funds	-	-	78,544	-
Total Liabilities	643,126	14,644	78,544	-
Deferred Inflows of Resources				
Unavailable Revenue-				
Subsequent Year Property Taxes	-	-	-	-
Delinquent Property Tax	-	-	-	-
Special Assessment	-	-	31,758	-
Note Receivable	-	-	155,000	-
Total Deferred Inflows of Resources	-	-	186,758	-
Fund Balances:				
Nonspendable:				
Perpetual Care	-	-	-	-
Restricted for:				
Road Surface Repairs	-	-	-	-
Employee Benefits	-	-	-	-
Tax Increment Financing	-	-	-	-
Law Enforcement	-	-	-	-
Local Option Sales Tax	-	-	-	-
Tree Farm	-	-	-	-
Assigned for:				
Capital Improvement	-	130,429	-	-
Capital Improvement and Facilities	-	-	-	435,976
Unassigned	(87,908)	-	(69,797)	-
Total Fund Balances	(87,908)	130,429	(69,797)	435,976
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 555,218	\$ 145,073	\$ 195,505	\$ 435,976

Capital Project Funds					Permanent Fund Cemetery Perpetual Care Fund	Total Governmental Nonmajor Funds
TIF Capital Projects	Joint Urban Renewal	Business Park	Storm Sewer Drainage Imp.			
\$ -	\$ -	\$ 185,280	\$ 18,209	\$ -	\$ -	\$ 1,161,905
-	-	-	-	-	146,320	146,320
-	-	-	-	-	-	45,142
-	-	-	-	-	-	1,957
-	-	-	-	-	-	607,833
-	-	-	-	-	-	1,808
2,015	-	-	-	-	-	40,712
-	-	-	-	-	-	16,250
-	830,458	-	-	-	-	1,243,858
-	-	-	-	-	-	576,749
2,015	830,458	185,280	18,209		146,320	3,842,534
-	38,906	29,464	-	-	-	733,584
98,271	633,218	-	-	-	-	1,339,227
98,271	672,124	29,464	-	-	-	2,072,811
-	-	-	-	-	-	607,833
-	-	-	-	-	-	87
2,015	-	-	-	-	-	33,773
-	-	-	-	-	-	155,000
2,015	-	-	-	-	-	796,693
-	-	-	-	-	146,320	146,320
-	-	-	-	-	-	300,176
-	-	-	-	-	-	76,001
-	-	-	-	-	-	4,553
-	-	-	-	-	-	3,973
-	-	-	-	-	-	297,112
-	-	-	-	-	-	14,655
-	158,334	-	-	-	-	288,763
-	-	-	-	-	-	435,976
(98,271)	-	155,816	18,209	-	-	(594,499)
(98,271)	158,334	155,816	18,209		146,320	973,030
\$ 2,015	\$ 830,458	\$ 185,280	\$ 18,209	\$ -	\$ 146,320	\$ 3,842,534

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
For the Year Ended June 30, 2013

	Special Revenue Funds			
	Community Betterment	Westmar University TIF	CDBG Home Fund	CDBG Land Fund
Revenue:				
Taxes	\$ -	\$ 348,793	\$ -	\$ -
Other Taxes	-	-	-	-
Special Assessments	-	-	-	-
Intergovernmental Revenue	-	-	-	-
Charges for Services	-	-	-	-
Contributions	23,659	-	-	-
Refunds/Reimbursements	-	3,830	8,083	8,083
Rental Income	-	-	-	-
Interest	-	-	328	23
Total Revenue	23,659	352,623	8,411	8,106
Expenditures:				
Public Safety	-	-	-	-
Culture and Recreation	-	-	-	-
Community and Economic Development	5,430	256,824	-	-
General Government	-	-	-	-
Capital Projects	14,830	-	-	-
Total Expenditures	20,260	256,824	-	-
Excess (deficiency) of revenues over expenditures	3,399	95,799	8,411	8,106
Other financing sources (uses):				
Proceeds from Sale of Assets	-	1,500	-	-
Transfers In	400,000	-	-	-
Transfers Out	-	(23,321)	(69,739)	(8,485)
Total other financing sources (uses)	400,000	(21,821)	(69,739)	(8,485)
Net Change in Fund Balance	403,399	73,978	(61,328)	(379)
Fund balances (deficits) -beginning of year	(596,440)	(393,485)	61,328	379
Fund balances (deficits) - end of year	\$ (193,041)	\$ (319,507)	\$ -	\$ -

Special Revenue Funds							
Joint Urban Renewal TIF	Police Pension Fund	Unemploy- ment	Road Use Tax	Local Option Sales Tax	Special Law Enforcement	Tree Farm	
\$ 794,804	\$ 233,577	\$ 22,052	\$ -	\$ -	\$ -	\$ -	
-	-	-	-	950,190	-	-	
-	-	-	952,722	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	3,936	2,000	
-	-	-	-	-	-	-	
-	-	-	-	866	2	-	
794,804	233,577	22,052	952,722	951,056	3,938	2,000	
-	224,468	-	-	-	4,880	-	
-	-	-	-	-	-	1,760	
10,502	-	-	-	-	-	-	
-	-	10,750	-	-	-	-	
-	-	-	383,108	206,752	-	-	
10,502	224,468	10,750	383,108	206,752	4,880	1,760	
784,302	9,109	11,302	569,614	744,304	(942)	240	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
(1,877,724)	-	-	(338,071)	(854,625)	-	-	
(1,877,724)	-	-	(338,071)	(854,625)	-	-	
(1,093,422)	9,109	11,302	231,543	(110,321)	(942)	240	
1,097,975	10,913	44,677	68,633	407,433	4,915	14,415	
\$ 4,553	\$ 20,022	\$ 55,979	\$ 300,176	\$ 297,112	\$ 3,973	\$ 14,655	

(continued)

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
For the Year Ended June 30, 2013

	Capital Project Funds			
	Industrial Park	Airport Runway Extension	Street Construction	Public Safety Building Improvement
Revenue:				
Taxes	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	-	-	-
Special Assessments	-	-	21,353	-
Intergovernmental Revenue	456,221	154,401	-	-
Charges for Services	-	-	-	-
Contributions	-	-	-	321,400
Refunds/Reimbursements	42,867	-	-	-
Rental Income	-	-	-	-
Interest	-	-	5,425	-
Total Revenue	499,088	154,401	26,778	321,400
Expenditures:				
Public Safety	-	-	-	-
Culture and Recreation	-	-	-	-
Community and Economic Development	-	-	-	-
General Government	-	-	-	-
Capital Projects	1,145,198	260,062	57,560	484,196
Total Expenditures	1,145,198	260,062	57,560	484,196
Excess (deficiency) of revenues over expenditures	(646,110)	(105,661)	(30,782)	(162,796)
Other financing sources (uses):				
Proceeds from Sale Assets	-	-	-	-
Transfers In	700,000	-	-	149,321
Transfers Out	-	-	-	-
Total other financing sources (uses)	700,000	-	-	149,321
Net Change in Fund Balance	53,890	(105,661)	(30,782)	(13,475)
Fund balances (deficits) -beginning of year	(141,798)	236,090	(39,015)	449,451
Fund balances (deficits) - end of year	\$ (87,908)	\$ 130,429	\$ (69,797)	\$ 435,976

Capital Project Funds				Permanent Fund Cemetery Perpetual Care Fund	Total Governmental Nonmajor Funds
TIF Capital Projects	Joint Urban Renewal	Business Park	Storm Sewer Drainage Imp.		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,399,226
-	-	-	-	-	950,190
411	-	-	-	-	21,764
76,049	-	-	-	-	1,639,393
-	-	-	-	2,037	2,037
-	-	-	-	-	350,995
176,303	-	-	-	-	239,166
3,600	-	-	-	-	3,600
-	-	-	-	-	6,644
256,363	-	-	-	2,037	4,613,015
-	-	-	-	-	229,348
-	-	-	-	-	1,760
-	-	-	-	-	272,756
-	-	-	-	-	10,750
919,435	351,576	54,526	39,694	-	3,916,937
919,435	351,576	54,526	39,694	-	4,431,551
(663,072)	(351,576)	(54,526)	(39,694)	2,037	181,464
-	-	-	-	-	1,500
718,000	-	368,115	190,000	-	2,525,436
-	-	-	-	-	(3,171,965)
718,000	-	368,115	190,000	-	(645,029)
54,928	(351,576)	313,589	150,306	2,037	(463,565)
(153,199)	509,910	(157,773)	(132,097)	144,283	1,436,595
\$ (98,271)	\$ 158,334	\$ 155,816	\$ 18,209	\$ 146,320	\$ 973,030

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF NET POSITION
Enterprise Nonmajor Funds
JUNE 30, 2013

	Business Type Activities			
	Golf Course	Solid Waste	Storm Sewer	Total
ASSETS				
Cash and Cash Equivalents	\$ -	\$ 343,341	\$ 17,767	\$ 361,108
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	-	24,767	9,386	34,153
Estimated Unbilled Usage	-	22,596	10,936	33,532
Prepaid Assets	2,431	-	-	2,431
Total Current Assets	2,431	390,704	38,089	431,224
Noncurrent Assets:				
Land	290,538	-	-	290,538
Construction in Progress	22,402	-	-	22,402
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	2,579,030	42,788	1,029,803	3,651,621
Total Noncurrent Assets	2,891,970	42,788	1,029,803	3,964,561
Total Assets	2,894,401	433,492	1,067,892	4,395,785
LIABILITIES				
Accounts Payable	35,920	20,044	-	55,964
Due to Other Funds	23,833	-	-	23,833
Unearned Revenue	4,350	-	-	4,350
Total Current Liabilities	64,103	20,044	-	84,147
Noncurrent Liabilities:				
Due within one year:				
Capital Lease	10,250	-	-	10,250
Due in more than one year:				
Capital Lease	25,986	-	-	25,986
Total Noncurrent Liabilities	36,236	-	-	36,236
Total Liabilities	100,339	20,044	-	120,383
NET POSITION				
Net Investment in Capital Assets	2,855,734	42,788	1,029,803	3,928,325
Unrestricted	(61,672)	370,660	38,089	347,077
Total Net Position	\$ 2,794,062	\$ 413,448	\$ 1,067,892	\$ 4,275,402

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Enterprise Nonmajor Funds
For the Year Ended June 30, 2013

	Business Type Activities			
	Golf Course	Solid Waste	Storm Sewer	Total
Operating Revenues:				
Charges for Services	\$ 328,642	\$ 615,335	\$ 212,031	\$ 1,156,008
Total Operating Revenue	328,642	615,335	212,031	1,156,008
Operating Expenses:				
Contract Services	211,653	482,251	-	693,904
Supplies	120,021	-	-	120,021
Repairs and Improvements	24,656	43,395	-	68,051
Utilities	17,956	-	-	17,956
Miscellaneous	2,611	10,043	-	12,654
Depreciation	113,826	23,157	39,686	176,669
Total Operating Expenses	490,723	558,846	39,686	1,089,255
Operating Income (Loss)	(162,081)	56,489	172,345	66,753
Non-Operating Income:				
Refunds and Reimbursements	3,488	1,083	-	4,571
Revenue from Use of Property	30,715	-	-	30,715
Interest Expense	(2,750)	-	-	(2,750)
Intergovernmental Revenue	-	20,000	-	20,000
Total Non-Operating Income	31,453	21,083	-	52,536
Income (Loss) before Contributions and Transfers	(130,628)	77,572	172,345	119,289
Contributed Capital	13,234	-	75,811	89,045
Transfers In	80,000	-	-	80,000
Transfers (Out)	(56,137)	(65,000)	(190,000)	(311,137)
Change in Net Position	(93,531)	12,572	58,156	(22,803)
Net Position - Beginning	2,887,593	400,876	1,009,736	4,298,205
Net Position - Ending	\$ 2,794,062	\$ 413,448	\$ 1,067,892	\$ 4,275,402

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF CASH FLOWS
Enterprise Nonmajor Funds
For the Year Ended June 30, 2013

	Business Type Activities			
	Golf Course	Solid Waste	Storm Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 324,292	\$ 617,178	\$ 211,873	\$ 1,153,343
Cash Paid to Suppliers for Goods and Services	(363,175)	(536,497)	-	(899,672)
Other Nonoperating Income	34,203	21,083	-	55,286
Net Cash Provided (Used) by Operating Activities	(4,680)	101,764	211,873	308,957
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and Construction of Capital Assets	(11,500)	-	-	(11,500)
Interest Paid on Notes and Bonds	(2,750)	-	-	(2,750)
Net Cash (Used) for Capital and Related Financing Activities	(14,250)	-	-	(14,250)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Transfers (To) Other Funds	23,863	(65,000)	(190,000)	(231,137)
Due From (To) Other Funds	(4,933)	-	(4,106)	(9,039)
Net Cash Provided (Used) for Non-Capital Financing Activities	18,930	(65,000)	(194,106)	(240,176)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Net Increase in Cash and Cash Equivalents	-	36,764	17,767	54,531
Cash and Cash Equivalents at Beginning of Year	-	306,577	-	306,577
Cash and Cash Equivalents at End of Year	\$ -	\$ 343,341	\$ 17,767	\$ 361,108
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Net Operating Income (Loss)	\$ (162,081)	\$ 56,489	\$ 172,345	\$ 66,753
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	113,826	23,157	39,686	176,669
Miscellaneous Non-Operating Income	34,203	21,083	-	55,286
(Increase) Decrease in Assets:				
Accounts Receivable	-	4,036	765	4,801
Estimated Unbilled Usage	-	(2,193)	(923)	(3,116)
Deferred Revenue	(4,350)	-	-	(4,350)
Increase (Decrease) in Liabilities:				
Accounts Payable	(822)	-	-	(822)
Accrued Expenses	24,215	(808)	-	23,407
Capital Lease Payable	(9,671)	-	-	(9,671)
Total Adjustments	157,401	45,275	39,528	242,204
Net Cash Provided (Used) by Operating Activities	\$ (4,680)	\$ 101,764	\$ 211,873	\$ 308,957

CITY OF LE MARS, IOWA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Agency Fund
For the Year Ended June 30, 2013

	Balance			Balance
	July 1, 2012	Additions	Deductions	June 30, 2013
<u>FLEX</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 8,537	\$ 41,888	\$ 43,570	\$ 6,855
Total Assets	8,537	41,888	43,570	6,855
<u>Liabilities</u>				
Accounts Payable	8,537	41,888	43,570	6,855
Total Liabilities	\$ 8,537	\$ 41,888	\$ 43,570	\$ 6,855

CITY OF LE MARS, IOWA

TABLE I

Principal Taxpayers

TAXPAYER	TYPE OF BUSINESS	1/1/11 VALUATIONS FOR TAXES PAYABLE FY 13	PERCENTAGE OF TOTAL ESTIMATED ACTUAL VALUE
WELLS ENTERPRISES, INC.	ICE CREAM PRODUCTION	\$54,997,205	7.88%
WD 2005 SPE LLC (WELLS CORPORATE)	CORPORATE HEADQUARTERS	23,346,010	3.35%
MID AMERICAN ENERGY	UTILITY COMPANY	15,096,873	2.16%
NOR-AM COLD STORAGE INC.	COLD STORAGE FACILITY	13,758,716	1.97%
BODEANS BAKING COMPANY	COMMERCIAL BAKERY	9,896,710	1.42%
WAL-MART STORES INC.	DISCOUNT RETAIL STORE	8,424,090	1.21%
LE MARS PUBLIC STORAGE	COMMERCIAL STORAGE	5,511,020	0.79%
STEVE SCHUSTER	COMMERCIAL TRUCKING	5,381,375	0.77%
DEAN FOODS	MILK PROCESSING	4,517,110	0.65%
CCS REALTY CO. (CLOVERLEAF)	COLD STORAGE FACILITY	4,421,870	0.63%
	TOTAL	\$145,350,979	20.83%
	ALL OTHERS	552,422,593	79.17%
		<u>\$697,773,572</u>	<u>100.00%</u>

TABLE II

Computation of Legal Debt Margin

June 30, 2013

2012-13 ACTUAL VALUATION:	\$697,773,572	
LESS: MILITARY EXEMPTION	<u>(963,040)</u>	
	696,810,532	
DEBT LIMIT - 5% OF ESTIMATED ACTUAL VALUATION		\$34,840,527
AMOUNT OF DEBT APPLICABLE TO DEBT LIMIT		
GENERAL OBLIGATION DEBT	7,410,000	
* OTHER DEBT	<u>13,053,000</u>	
	20,463,000	
LESS:		
* REVENUE BONDS/NOTES	<u>13,053,000</u>	
	7,410,000	
AMOUNT AVAILABLE FOR REPAYMENT OF GENERAL OBLIGATION DEBT	<u>962,647</u>	
TOTAL DEBT APPLICABLE TO DEBT LIMIT		<u>6,447,353</u>
LEGAL DEBT MARGIN		<u>\$28,393,174</u>

*Includes Floyd Valley Hospital (Discrete Component Unit).

CITY OF LE MARS, IOWA
TABLE III
Miscellaneous Statistics
June 30, 2013

Date of Incorporation	1881
Date City was Platted	1869
Form of Government	Mayor - Council
Population (2010 Census)	9826
Term of Office:	
Mayor	2
Council Members	4
City Administrator	appointed by Council
Number of Employees:	
Regular Full Time	57
Regular Part Time	6
Fire	24
Ambulance	22
Area in Square Miles	8.54
Miles of Streets	74
Percent of Streets Paved	99%
Number of Street Lights	811
Building Permits 2012-2013	118
Total Building Permits Less	
Demolition and Moving	9
New Single and Multi-Family Dwellings	22
Municipal Water System:	
Number of Wells	6
Number of Fire Hydrants	626
Number of Customers	4194
Storage Capacity (Gallons)	2,500,000
Average Daily Consumption (Gallons)	2,670,000
Peak Daily Consumption (Gallons)	5,150,000
Miles of Water Main	78
Sewer System:	
Miles of Sanitary Sewer	52
Miles of Storm Sewer	11
Number of Sanitary Sewer Customers	4,022
Average Daily Sewer Usage (Gallons)	2,560,000
Peak Load (Gallons)	4,256,000
Design Flow	28,149 lbs per day
Number of Lift Stations	8
Number of Treatment Plants	1
Culture and Recreation:	
Number of Parks	14
Number of Libraries	1
Number of Volumes	38,923
Golf Courses (27 Holes)	1
Swimming Pools	2
Tennis Courts	7
Campgrounds	1
Softball / Baseball Fields	11
Theatre	2
Art Center	1
Recreation Building	1
Fire Stations	2
Police Stations	1
Airports	1
Convention Center	1

CITY OF LE MARS, IOWA
Schedule of Expenditures of Federal Awards (Cash Basis)
Year Ended June 30, 2013

	CFDA Number	Project/Contract Number	Federal Expenditures
Direct:			
FEDERAL AVIATION ADMINISTRATION			
Airport Improvement Program	20.106	AIP #3-19-0127-010	\$ 109,942
Total Direct			<u>109,942</u>
Indirect:			
DEPARTMENT OF TRANSPORTATION:			
Passed through the Iowa Department of Transportation:			
Highway Planning and Construction	20.205	STP-003-1(83)-2C-75	105,021
Highway Planning and Construction	20.205	STP-4257-(630)-70-75	310,598
			<u>415,619</u>
Passed through the Governor's Traffic Safety Bureau:			
Iowa Department of Public Safety:			
State and Community Highway Safety Grant	20.600	PAP 12-04, Task 11	2,578
State and Community Highway Safety Grant	20.600	PAP 13-04, Task 11	6,475
			<u>9,053</u>
DEPARTMENT OF HOMELAND SECURITY			
Iowa Homeland Security and Emergency Management:			
Disaster Grants- Public Assistance	97.036	PA-07-IA-4126	15,441
			<u>15,441</u>
Total Indirect			<u>440,113</u>
Total Expenditures of Federal Awards			<u>\$ 550,055</u>

Note 1 - Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Le Mars, Iowa, and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

CITY OF LE MARS, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Part I: Summary of the Independent Auditors' Results

- (a) An unmodified opinion was issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses in internal controls over the major program were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was as follows:
 - CFDA #20.205 – Highway Planning and Construction
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Le Mars did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

Instances of Non-Compliance:

No matters were noted.

Material Weakness:

II-A-13 Financial Reporting

Observation - During the audit, we identified material amounts of receivables, payables and capital asset additions not identified by the City. Adjustments were subsequently made by the City to properly include these amounts in the financial statements.

Recommendation – The City should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the City's financial statements.

Response – We will review these transactions in the future to avoid any missing receivables, payables and capital assets.

Conclusion – Response accepted.

CITY OF LE MARS, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were noted.

Material Weakness:

No material weaknesses in internal control over the major program were noted.

Part IV: Other Findings Related to Statutory Reporting:

IV-A-13 - Certified Budget – Disbursements during the year ended June 30, 2013 did not exceed the amounts budgeted.

IV-B-13 - Questionable Expenditures - We noted no questionable expenditures during our audit.

IV-C-13 - Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-13 - Business Transactions - Business transactions between the City and City officials and/or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction/Description</u>	<u>Amount</u>	
Greg Smidt, City of Le Mars, Police Officer	Labor, Material	\$570	(1)
Gus Pech Manufacturing Co., Inc., Cris Collins, President, spouse of employee	Supplies	\$5,375	(2)
Mother Nature Greenhouse, Owned by spouse of Employee, Gayle Sitzmann	Plants	\$2,674	(2)
Ludwig, Bruce, Le Mars Broadband Telecommunications Member	Maintenance Contract	\$1,200	(1)
Motor Inn, Owned by Spouse of Ambulance Employee, Jolynn Ohm	Vehicles and Repair	\$79,815	(2)
R&R Enterprises Employee, Dale Reichle	Grave work	\$15,150	(2)
The Education Station, Owned by Ambulance Employee, John MacGregor	Supplies	\$698	(1)

(1) The transaction does not appear to represent a conflict of interest since the total transaction was less than \$1,500 during the year, per Chapter 362.5(3)(j) of the code of Iowa.

(2) This transaction may represent a conflict of interest and the City should contact legal council for determination.

CITY OF LE MARS, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Part IV: Other Findings Related to Statutory Reporting (Continued):

- IV-E-13 - Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. However, we recommend that the amount of coverage be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-13 - Council Minutes - We noted no transactions requiring approval which had not been approved by the Council.
- IV-G-13 - Revenue Bonds - No violations of revenue bond resolutions were noted.
- IV-H-13 - Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- IV-I-13 - Urban Renewal Annual Report - The urban renewal annual report was not properly approved and certified to the Iowa Department of Management on or before December 1.

The City's Urban Renewal Annual Report was not filed to the Iowa Department of Management by December 1, due to issues with the State software and the overlapping urban renewal areas. The City was in close contact with the State regarding the issues and was aware the report would not be filed by December 1. The City worked with the State until the report was subsequently filed, with appropriate amounts.

Recommendation - The City should ensure future urban renewal annual reports are filed timely.

Response - We will file the report on time in subsequent periods.

Conclusion - Response accepted.

CITY OF LE MARS, IOWA
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2013

MATERIAL WEAKNESS:

III-A-12 - Grant/SEFA Administration

Observation – During the audit we identified adjustments necessary for the Schedule of Expenditures of Federal Awards. Adjustments were subsequently made by the City to properly include all amounts and information in the Schedule of Expenditures of Federal Awards.

Recommendation – The City should implement procedures to ensure all federal grants are identified and included in the City's Schedule of Expenditures of Federal Awards at the appropriate amounts.

Response – The City understands the nature of the weakness and will develop procedures to ensure all grant information is properly included in the Schedule of Expenditures of Federal Awards.

Status – This finding was corrected for the year under audit.



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**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards**

Honorable Members of the City Council
City of Le Mars, Iowa

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the CITY OF LE MARS, IOWA as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 29, 2014. Our report includes a reference to other auditors who audited the financial statements of Floyd Valley Municipal Hospital, as described in our report on the City of Le Mars's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Le Mars's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Le Mars's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Le Mars's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings as item II-A-13 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Le Mars's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Le Mars's Response to Findings

The City of Le Mars's response to the findings identified in our audit is described in the accompanying schedule of findings. The City of Le Mars's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This purpose of this is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit.

If you have any questions concerning the above matters, we would be pleased to discuss them with you at your convenience.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
January 29, 2014



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Honorable Mayor, Members of the City Council
City of Le Mars, Iowa

Report on Compliance for Each Major Federal Program

We have audited the CITY OF LE MARS, IOWA's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. City of Le Mars, Iowa's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Le Mars, Iowa's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Le Mars, Iowa complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The management of the City of Le Mars, Iowa is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Le Mars, Iowa's internal control over compliance with the types of requirements that could have a direct and material effect on each major

federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Le Mars, Iowa's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
January 29, 2014